http://www.oblible.com

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

Takko Luxembourg 2 S.C.A.

€380,000,000 9.875% Senior Secured Notes due 2019
€145,000,000 Floating Rate Senior Secured Notes due 2019

Takko Luxembourg 2 S.C.A., a corporate partnership limited by shares (*société en commandite par actions*) organized under the laws of Luxembourg (the "Issuer") is offering €380,000,000 aggregate principal amount of its 9.875% senior secured notes due 2019 (the "Fixed Rate Senior Secured Notes") and €145,000,000 aggregate principal amount of its floating rate senior secured notes due 2019 (the "Floating Rate Senior Secured Notes" and, together with the Fixed Rate Senior Secured Notes, the "Notes").

The Fixed Rate Senior Secured Notes will bear interest at a rate of 9.875% and will mature on April 15, 2019. Interest on the Fixed Rate Senior Secured Notes will accrue from April 5, 2013 and will be payable semi-annually on each April 15 and October 15, commencing on October 15, 2013. Prior to April 15, 2016, the Issuer will be entitled at its option to redeem all or a portion of the Fixed Rate Senior Secured Notes by paying a "make whole" premium. On or after April 15, 2016, the Issuer will be entitled at its option to redeem all or a portion of the Fixed Rate Senior Secured Notes, at any time or from time to time, at the redemption prices set forth in this offering memorandum. In addition, at any time prior to April 15, 2016, the Issuer may redeem at its option up to 40% of the Fixed Rate Senior Secured Notes with the net cash proceeds from certain equity offerings at a price equal to the principal amount of the Fixed Rate Senior Secured Notes redeemed plus accrued and unpaid interest, provided that at least 60% of the original principal amount of the Fixed Rate Senior Secured Notes remains outstanding after the redemption.

The Floating Rate Senior Secured Notes will bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 7.0% and will mature on April 15, 2019. Interest on the Floating Rate Senior Secured Notes will accrue from April 5, 2013 and will be payable quarterly on each January 15, April 15, July 15 and October 15, commencing on July 15, 2013. Prior to April 15, 2014, the Issuer will be entitled at its option to redeem all or a portion of the Floating Rate Senior Secured Notes by paying a "make whole" premium. On or after April 15, 2014, the Issuer will be entitled at its option to redeem all or a portion of the Floating Rate Senior Secured Notes, at any time or from time to time, at the redemption prices set forth in this offering memorandum.

Further, the Notes may be redeemed at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain change of control events, the Issuer may be required to offer to repurchase the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest to the date of the repurchase.

The Notes will be senior secured obligations of the Issuer and will be guaranteed on a senior secured basis by the Guarantors (as defined herein). Upon issuance, the Notes and the guarantees thereof will be secured by a first-priority security interest over all present and future equity interests in each of the Guarantors, as well as certain assets of the Guarantors, subject to certain agreed security principles and covering substantially the same assets as those pledged as security under our new Senior Facilities (as defined herein), other than real estate located in Germany. The Senior Facilities will be secured on a "super priority" basis and will receive proceeds from the enforcement of the Collateral ahead of the Notes.

The security interests and guarantees, as well as certain claims against the Issuer, will be subject to significant contractual and legal limitations. Security interests and guarantees may be released under certain circumstances.

For a detailed description of the Notes, see "Description of the Notes" beginning on page 149.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Luxembourg Stock Exchange's Euro MTF Market (the "Euro MTF Market").

Investing in the Notes involves risks. See "Risk Factors" beginning on page 20 for a discussion of certain risks that you should consider in connection with an investment in any of the Notes.

Issue Price for the Fixed Rate Senior Secured Notes: 99.437% of principal plus accrued interest, if any, from the Issue Date.

Issue Price for the Floating Rate Senior Secured Notes: 99.50% of principal plus accrued interest, if any, from the Issue Date.

The Notes and the guarantees of 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 other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. In the United States, the Offering is being made only to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A under the U.S. Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the initial purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A thereunder. Outside the United States, the Offering is being made in reliance on Regulation S under the U.S. Securities Act. The Notes are not transferable except in accordance with the restrictions described under "Notice to Investors."

The Notes will be in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented on issue by one or more Global Notes, which has been delivered through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") on April 5, 2013.

This offering memorandum, constitutes a prospectus for the purpose of the Luxembourg law on prospectuses dated July 10, 2005, as amended.

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank **Goldman Sachs International** **UniCredit Bank**

Joint Bookrunner

Nomura

Offering Memorandum dated May 7, 2013

http://www.oblible.com

TABLE OF CONTENTS

	Page
Notice to Investors	iv
Summary	1
Summary Financial and Operating Information	13
Risk Factors	20
Use of Proceeds	42
Capitalization	43
Selected Financial Information	45
Management's Discussion and Analysis of Our Financial Condition and Results of Operations	47
Industry	106
Business	113
Management	128
Related Party Transactions	132
Description of Other Indebtedness	135
Description of the Notes	149
Taxation	221
Certain Limitations on Validity and Enforceability	231
Book-Entry, Delivery and Form	250
Notice to Investors	254
Plan of Distribution	256
Legal Matters	258
Independent Auditors	258
Enforceability of Judgments	258
Where You Can Find More Information	261
Listing and General Information	262
Index to Consolidated and Combined Financial Statements	F-1
Index to Unaudited Pro Forma Consolidated Financial Information	P-1

We have not authorized anyone to provide any information or to make any representations other than those contained in this offering memorandum. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This offering memorandum is an offer to sell only the Notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this offering memorandum is current only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

This offering memorandum is a document that we are providing only to prospective purchasers of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not:

- use this offering memorandum for any other purpose; or
- disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. In making your investment decision, you should not consider any information in this offering memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Notes. By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this offering memorandum;
- you have had an opportunity to request, receive and review additional information that you need from us;
- you have made certain acknowledgements, representations and agreements as set forth under the caption "Notice to Investors;" and
- the Initial Purchasers are not responsible for, and are not making any representation to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

This offering memorandum may be used only for the purposes for which it has been published.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY U.S. FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The distribution of this offering memorandum and the Offering and sale of the Notes in certain jurisdictions may be restricted by law. The Issuer and the Initial Purchasers (as defined below) require persons into whose possession this offering memorandum comes to inform themselves about and to observe any such restrictions. This offering memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. For a description of certain restrictions on offers, sales and resales of Notes and distribution of this offering memorandum, see "Notice to Investors."

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 all other applicable securities laws. See "Plan of Distribution" and "Notice to Investors." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We have prepared this offering memorandum solely for use in connection with this Offering. In the U.S., you may not distribute this offering memorandum or make copies of it without our prior written consent other than to people you have retained to advise you in connection with this Offering.

This offering memorandum summarizes material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of the Group and the terms of the Offering and the Notes, including the merits and risks involved. See "Where You Can Find More Information."

We reserve the right to withdraw the Offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. Any Initial Purchaser or certain of their affiliates may acquire for their own account a portion of the Notes.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market, and the Issuer has submitted this offering memorandum to the Luxembourg Stock Exchange in connection with the listing application. Any investor or potential investor should not base any investment decision relating to the Notes on the information contained in this offering memorandum after publication of the listing particulars and should refer instead to those listing particulars.

See "Risk Factors," for a description of some important risks related to an investment in the Notes offered by this offering memorandum.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN IN CONNECTION WITH THE MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

ALTERNATE SETTLEMENT CYCLE

Delivery of the Notes was made against payment therefor on April 5, 2013, which was the eighth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as "T+8"). Under Rule 15c6-1 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 wished to trade Notes on the date of pricing or any of the next four succeeding business days were required, by virtue of the fact that the Notes initially settled T+8, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wished to trade Notes on the date of pricing or the next succeeding business days should have consulted their advisors.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE "STABILIZING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS FOR A LIMITED PERIOD OF TIME WITH A VIEW TO SUPPORTING THE MARKET PRICES OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, DEUTSCHE BANK AG, LONDON BRANCH IS NOT OBLIGATED TO DO THIS AND THERE CAN BE NO ASSURANCE THAT THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER 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 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 INVESTORS

European Economic Area

This offering memorandum has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in member states of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the Offering contemplated in this offering memorandum must only do so in circumstances in which no obligation arises for the Issuer, any of the Guarantors or any of the Initial Purchasers to produce a prospectus for such offer. None of the Issuer, the Guarantors or any Initial Purchaser has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum. The expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State. The expression "2010 PD Amending Directive" means Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

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

- "qualified investors" as defined in the Prospectus Directive;
- fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall result in a requirement for the publication by the Issuer, any Guarantor or any Initial Purchaser of 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 any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Guarantors, the Initial Purchasers 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 Offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (the "Securities Prospectus Act," *Wertpapierprospektgesetz, WpPG*), as amended, and any

other applicable German law. No application has been made to publicly market the Notes in or out of the Federal Republic of Germany. The Notes are not registered or authorized for distribution under the Securities Prospectus Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. Therefore, this offering memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws.

Luxembourg

The terms and conditions relating to this Offering 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 purposes of public offering or sale in the Grand Duchy of 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 in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended.

United Kingdom

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or "FSMA"), and other persons to whom it may lawfully be communicated, falling within Article 29(2) of the Order (all such persons together being referred to as "relevant persons"). Accordingly, by accepting delivery of this offering memorandum, the recipient warrants and acknowledges that it is such a relevant person. The Notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of FSMA.

Italy

The Offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in the Republic of Italy ("Italy"), except: (i) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Financial Services Act") and as defined in Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* ("CONSOB") Regulation No. 11971 of May 14, 1999, as amended from time to time ("Regulation No. 11971"); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971. Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 (the "Banking Act"), the Financial Services Act of September 1, 1933, as amended, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and any other applicable law and regulations; (b) in compliance with Article 129 of the 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 (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

Switzerland

Neither this offering memorandum nor any other offering or marketing material relating to the Offering, the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority. In particular,

this offering memorandum will not be filed with, and the offer of Notes will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of Notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (the "CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Notes.

The Netherlands

The Notes are not and may not be offered in the Netherlands other than to persons or entities which are qualified investors (*gekwalificeerde beleggers*) as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and regulations promulgated pursuant thereto.

Austria

This offering memorandum serves marketing purposes and constitutes neither an offer to sell nor a solicitation to buy any securities. There is no intention to make a public offer in Austria. Should a public offer be made in Austria, a prospectus prepared in accordance with the Austrian Capital Market Act (*Kapitalmarktgesetz*) and approved by or notified to the Austrian Financial Market Authority (FMA) will be published. The Notes may only be offered in the Republic of Austria in compliance with the provisions of the Austrian Capital Market Act and any other laws applicable in the Republic of Austria governing the offer and sale of the Notes in the Republic of Austria. The Notes are not registered or otherwise authorized for public offer under the Capital Market Act or any other relevant securities legislation in Austria. The recipients of this offering memorandum and other selling materials in respect to the Notes have been individually selected and identified before the offer being made and are targeted exclusively on the basis of a private placement. Accordingly, the Notes may not be, and are not being, offered or advertised publicly or offered similarly under either the Capital Market Act or any other relevant securities legislation in Austria. This offering memorandum has been issued to each prospective investor for its personal use only. Accordingly, recipients of this offering memorandum are advised that this offering memorandum and any other selling materials in respect to the Notes shall not be passed on by them to any other person in Austria.

USE OF TERMS

Unless otherwise specified or the context requires otherwise in this offering memorandum, references to:

- the "Acquisition" are to the acquisition of Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH, Takko Fashion NL B.V., and their directly or indirectly held subsidiaries by Salsa Retail Holding TopCo S.à r.l., a Luxembourg holding company formed by funds advised by Apax Partners ("Apax") and several other holding companies, including Salsa Retail Holding DebtCo 1 S.à r.l., on February 8, 2011;
- "Additional Shareholder Funding" are to the indirect contribution made by funds advised by Apax to the Company on or before the Issue Date;
- "CAGR" are to compound annual growth rate;
- the "Company" are to Salsa Retail Holding DebtCo 1 S.à r.l., registered with the commercial register of Luxembourg under B 157325;
- "Eastern Europe" are to the following countries: Croatia, the Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia;
- the "EEA" are to the European Economic Area;
- the "EU" are to the European Union;
- "euro" or "€" are to the lawful currency of the European Monetary Union;
- "Existing Senior Credit Facilities" are to senior term loan A and senior term loan B, the letter of credit facility and the revolving credit facility made available under the Existing Senior Credit Facilities Agreement;
- "Existing Senior Credit Facilities Agreement" refers to the senior facilities agreement entered into on December 23, 2010 between, among others, the Company, BNP Paribas S.A., Niederlassung Frankfurt am Main, Deutsche Bank AG, London Branch, Nomura International plc, UniCredit Bank AG and

UniCredit Luxembourg S.A. in connection with the financing of the Acquisition, as amended and restated on February 7, 2011, March 4, 2011 and January 27, 2012, for an aggregate maximum amount of €850 million;

- "financial indebtedness" are to non-current and current liabilities to bank plus financial liabilities from finance leases;
- "fiscal year 2010" are to the fiscal year ended April 30, 2010;
- "fiscal year 2012" are to the fiscal year ended April 30, 2012;
- "Fixed Rate Senior Secured Notes" are to the €380,000,000 9.875% senior secured notes due 2019 offered hereby;
- "Floating Rate Senior Secured Notes" are to the €145,000,000 floating rate senior secured notes due 2019 offered hereby;
- "Guarantees" are to the unconditional guarantees of the Notes by the Guarantors;
- "Guarantors" are to Salsa Retail Holding DebtCo 1 S.à r.l., Salsa Retail Holding DebtCo 2 S.à r.l., Takko Fashion Austria GmbH (formerly Salsa Retail Austria BidCo GmbH), Takko Fashion GmbH (formerly Salsa Retail German Bidco GmbH), Takko Holding Netherlands B.V. (formerly Salsa Retail Netherlands Bidco B.V.), Takko Fashion AT Holding GmbH, Takko Fashion AT Vermögensverwaltungs GmbH, Takko ModeMarkt GmbH, Takko Fashion G Eins GmbH, Takko Fashion G Zwei GmbH, Takko GP GmbH & Co. KG, Takko Fashion NL B.V., Takko Nederland B.V., Takko Holding GmbH, Takko Luxembourg and Takko Luxembourg 1 S.C.A.;
- "IFRS" are to International Financial Reporting Standards, as adopted by the EU;
- "Initial Purchasers" are to Deutsche Bank AG, London Branch, Goldman Sachs International, UniCredit Bank AG and Nomura International plc;
- "Intercreditor Agreement" are to the intercreditor agreement to be entered into on or about the Issue Date among, *inter alios*, the Issuer, the Security Agent, the lenders and agent under the Senior Facilities Agreement and the Trustee;
- "Issue Date" are to April 5, 2013;
- the "Issuer" are to Takko Luxembourg 2 S.C.A., a corporate partnership limited by shares (*société en commandite par actions*) organized under the laws of Luxembourg;
- "LfL" are to Like-for-Like;
- "net revenue by segment" are to external net revenue of operating segments by region as disclosed in the consolidated financial statements of the Company, or in the combined financial statements of the Takko Combined Entities, or are to net revenue by region as disclosed in the *pro forma* consolidated financial information of the Company;
- "L/C Facility" are to the letter of credit facility made available under the Senior Facilities Agreement;
- "Notes" are to the Fixed Rate Senior Secured Notes and the Floating Rate Senior Secured Notes offered hereby;
- "Offering" are to the offering of the Notes pursuant to this offering memorandum;
- "PPA" are to the purchase price allocation relating to the Acquisition;
- "Refinancing" are to the repayment of the amounts outstanding under the Existing Senior Credit Facilities with the proceeds of the Offering;
- "Revolving Credit Facility" are to the revolving credit facility made available under the Senior Facilities Agreement;
- "Security" are to the security in favor of the Notes and the Guarantees. See "Description of the Notes—Security;"
- "Senior Facilities" are to the Revolving Credit Facility and the L/C Facility;
- "Senior Facilities Agreement" are to the senior facilities agreement dated on or about March 25, 2013 among Salsa Retail Holding DebtCo 1 S.à r.l., as the parent, Deutsche Bank AG, London Branch, Goldman Sachs International and UniCredit Bank AG, as arrangers, UniCredit Luxembourg S.A., as facility agent, UniCredit Luxembourg S.A., as security agent and UniCredit Bank AG, as original L/C issuing bank;

- “short fiscal year 2011” are to the short fiscal year from December 7, 2010 to April 30, 2011;
- the “Takko Combined Entities” are to Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH, Takko Fashion NL B.V., and their respective directly or indirectly held subsidiaries, which were under common control of the former shareholder Advent Vision S.à r.l. since their initial acquisitions by this former shareholder;
- “Takko,” the “Group,” “we,” “us” and “our” are to the Company and its subsidiaries, or, with respect to the periods preceding the Acquisition, to the Takko Combined Entities;
- “twelve month period ended April 30, 2011” are to the twelve month period ended April 30, 2011 on a *pro forma* basis;
- the “U.S.” and “United States” are to the United States of America;
- “U.S. dollars” or “$” are to the lawful currency of the United States of America;
- “Vintage” or “Store Vintage” are to the fiscal year in which a store was opened; and
- “Western and Central Europe” are to the following countries: Austria, Belgium, Italy, the Netherlands and Switzerland.

FORWARD LOOKING STATEMENTS

Certain of the statements made in this offering memorandum may be considered to be "forward looking statements," as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995, such as statements that include the words "expect," "estimate," "believe," "project," "plan," "anticipate," "should," "intend," "probability," "risk," "may," "target," "goal," "objective" and similar expressions or variations on such expressions. These statements appear in a number of places throughout this offering memorandum, including, without limitation, in the sections captioned "Risk Factors," "Use of Proceeds," "Business," and "Management's Discussion and Analysis of Our Financial Condition and Results of Operations." These statements concern, among other things:

- strategies, outlook and growth prospects;
- future plans and potential for growth;
- trends affecting our financial condition or results of operations;
- trends and developments affecting the markets in which we operate;
- our liquidity, capital resources and capital expenditures;
- the general economic outlook and industry trends;
- competition in areas of our business; and
- our plans to launch new or expand existing products.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties. Our actual results may differ materially as a result of various factors. These factors include, but are not limited to:

- competitive forces in the markets in which we operate;
- economic conditions in our domestic or foreign markets;
- our ability to meet the fashion tastes of our customers or to identify or respond to changing fashion trends;
- the success of our strategy to expand our store base and enter into new markets;
- the roll-out of our "Takko" and "1982" store formats or new business models;
- the introduction of e-commerce as an additional sales channel;
- our ability to manage our geographical diversification;
- public criticism of companies in our segment for their human resources policies or practices;
- our manufacturers' compliance with codes of supplier conduct, labor laws or ethical standards;
- the risk of rising labor costs and rising costs of raw materials including cotton;
- inflation and other factors affecting our sourcing costs;
- disruptions in the sourcing of our merchandise;
- political and other business risks in our Asian sourcing markets and our European distribution markets;
- disruptions in the delivery of our merchandise, product defects and supply shortages;
- fluctuations in currency exchange rates and our exposure to changing market interest rates;
- the success of our real estate strategy;
- failures in our IT systems and the risk of theft or misappropriation of customer data;
- the effectiveness of our marketing campaigns;
- seasonal fluctuations in our business and unfavorable weather conditions;
- increases in energy costs;
- our ability to retain or replace key personnel;
- the risk of impairment of our assets, such as goodwill;

- tax risks, and risks relating to intellectual property and litigation;
- risks relating to our substantial indebtedness and our ability to meet our debt service obligations; and
- risks related to the Notes and the Guarantees.

Investors are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date hereof. We undertake no obligation, and do not intend, to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business or strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

We provide a cautionary discussion of risks and uncertainties under "Risk Factors" contained elsewhere in this offering memorandum. These are factors that we think would cause our actual results to differ materially from expected results. Other factors besides those listed here could also adversely affect us.

AVAILABLE INFORMATION

We have agreed to provide certain information, as described in "Description of the Notes—Certain Covenants—Reports" to Deutsche Trustee Company Limited, as trustee (the "Trustee"), and the Noteholders and to make such information available to potential investors.

In addition, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, we will also provide a copy of all of the foregoing information and reports to the Luxembourg Stock Exchange and make this information available in Luxembourg at the office of the Luxembourg Paying Agent.

See also "Where You Can Find More Information."

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer was incorporated on February 27, 2013 for the principal purpose of issuing the Notes and has no other operations. Consequently, we have not included any historical financial information relating to the Issuer in this offering memorandum. In addition, the calculation of Adjusted EBITDA and total assets of our Guarantors is based on certain simplified assumptions, which are based on our reporting under the Existing Senior Credit Facilities Agreement.

We have included in this offering memorandum the audited combined financial statements of the Takko Combined Entities as of and for the fiscal year ended April 30, 2010, prepared in accordance with IFRS and taking into account the basis of preparation described in Note 1 to the combined financial statements (the "2010 Combined Financial Statements"), the audited consolidated financial statements of the Company as of April 30, 2011 and for the short fiscal year from December 7, 2010 to April 30, 2011, prepared in accordance with IFRS (the "2011 Consolidated Financial Statements"), the unaudited *pro forma* consolidated financial information of the Company for the twelve month period ended April 30, 2011 (the "Unaudited 2011 Pro Forma Consolidated Financial Information"), the audited consolidated financial statements of the Company as of and for the fiscal year ended April 30, 2012, prepared in accordance with IFRS (the "2012 Consolidated Financial Statements") and the unaudited interim condensed consolidated financial statements of the Company as of and for the nine month period ended January 31, 2013, prepared in accordance with IFRS for interim financial reporting (IAS 34) (the "Unaudited 2013 Interim Consolidated Financial Statements").

Audited Combined Financial Statements as of and for the fiscal year ended April 30, 2010

Takko Fashion G Eins GmbH prepared the 2010 Combined Financial Statements in accordance with IFRS and taking into account the basis of preparation described in Note 1 to the 2010 Combined Financial Statements in order to reflect the historical development of the results of operations and financial condition of the Takko Combined Entities from May 1, 2009 through April 30, 2010.

The 2010 Combined Financial Statements are based on the audited IFRS consolidated financial statements of Advent Vision S.à r.l. as of and for the fiscal year ended April 30, 2010, the former holding company of the Group, which include Takko Fashion G Eins GmbH and its subsidiaries, Takko Fashion NL B.V. and its subsidiary and Takko Fashion AT Holding GmbH and its subsidiaries for the period presented.

For the purpose of preparing the 2010 Combined Financial Statements, all assets and liabilities and income and expense items directly relating to Advent Vision S.à r.l. were eliminated. In addition, all consolidation procedures relating to the elimination of transactions between Advent Vision S.à r.l. and the Takko Combined Entities except for the common control contribution made into Takko Fashion NL B.V. after the acquisition of the Takko business in 2007 were reversed. In line therewith, all transactions between Advent Vision S.à r.l. and the Takko Combined Entities reflected in the 2010 Combined Financial Statements are disclosed and described as related party transactions in the 2010 Combined Financial Statements.

The 2010 Combined Financial Statements include the effects of the purchase price allocation in connection with the acquisition of our business by Advent Vision S.à r.l. in August 2007, as the 2010 Combined Financial Statements are based on historical financial information used in the IFRS consolidated financial statements of Advent Vision S.à r.l. as of and for the fiscal year ended April 30, 2010.

Advent Vision S.à r.l. functioned as a holding company and provided financing facilities to the Takko Combined Entities in the form of shareholder loans. Advent Vision S.à r.l. did not perform any material management services or other headquarters functions for its subsidiaries. Therefore, no overhead expense and income allocations were required in connection with the preparation of the 2010 Combined Financial Statements.

Audited Consolidated Financial Statements as of and for the short fiscal year ended April 30, 2011

Funds advised by Apax, via the Company, acquired the Takko Combined Entities on February 8, 2011 in the Acquisition. Due to the change of control in connection with the Acquisition, combined financial statements cannot be prepared for the full year ended April 30, 2011. We prepare consolidated financial statements at the level of the Company in accordance with IFRS. The 2011 Consolidated Financial Statements present the period from December 7, 2010 (when the Company was formed) to April 30, 2011 as a short fiscal year. The Company did not conduct any substantive business operations from the date it was incorporated on December 7, 2010 until the consummation of the Acquisition on February 8, 2011. Accordingly, between December 7, 2010 and the consummation of the Acquisition on February 8, 2011, the Company did not generate any revenue and had only immaterial assets and liabilities. Our 2011 Consolidated Financial Statements reflect the operational business of our Group only from the date of the consummation of the Acquisition on February 8, 2011. The 2011 Consolidated Financial Statements consolidate the results of operations and financial condition of the following entities, which comprises the operational business of the Takko Combined Entities:

- Salsa Retail Holding DebtCo 1 S.à r.l.;
- Salsa Retail Holding DebtCo 2 S.à r.l.;
- Takko Fashion G Eins GmbH and its subsidiaries;
- Takko Fashion NL B.V. and its subsidiary;
- Takko Fashion AT Holding GmbH and its subsidiaries;
- Takko Fashion GmbH (formerly Salsa Retail German Bidco GmbH);
- Takko Holding Netherlands B.V. (formerly Salsa Retail Netherlands Bidco B.V.); and
- Takko Fashion Austria GmbH (formerly Salsa Retail Austria BidCo GmbH).

Except for the PPA adjustments in connection with the Acquisition, with regard to the operational financial data, the 2011 Consolidated Financial Statements reflect the same activities as the 2010 Combined Financial Statements, but for the stated operational period as described above.

With regard to financial result, income taxes, amortization and PPA adjustments, the 2011 Consolidated Financial Statements are not comparable with the 2010 Combined Financial Statements.

Unaudited Pro Forma Consolidated Financial Information for the twelve month period ended April 30, 2011

The Unaudited 2011 Pro Forma Consolidated Financial Information comprises a *pro forma* consolidated income statement, together with *pro forma* notes. A *pro forma* consolidated balance sheet has not been prepared as the consolidated balance sheet as of April 30, 2011 of the 2011 Consolidated Financial Statements reflects our new group structure after the Acquisition. Moreover, a *pro forma* consolidated statement of cash flows has not been prepared as the basis of preparation for the *pro forma* consolidated income statement is different from the basis of preparation for the historical consolidated balance sheet as of April 30, 2011. Accordingly, a full *pro forma* consolidated statement of cash flows cannot be established on a meaningful basis.

The purpose of the Unaudited 2011 Pro Forma Consolidated Financial Information is to present the material effects that the Acquisition would have had on the historical consolidated financial statements of the Company if the structure of the Group had existed as created by the Acquisition throughout the entire period from May 1, 2010 to April 30, 2011.

The Unaudited 2011 Pro Forma Consolidated Financial Information was prepared on the basis of *IDW Accounting Practice Statement 1.004: Preparation of Pro Forma Financial Information* (IDW AcPS AAB 1.004) promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V. – IDW*).

As explained in the Unaudited 2011 Pro Forma Consolidated Financial Information contained in this offering memorandum, the Unaudited 2011 Pro Forma Consolidated Financial Information is based on the historical consolidated income statement for the short fiscal year from December 7, 2010 (the date on which the Company was incorporated) to April 30, 2011 (reflecting the new structure after the Acquisition) and adding the unaudited historical combined income statement of the Takko Combined Entities for the period May 1, 2010 to February 8, 2011 to produce an aggregated income statement for May 1, 2010 to April 30, 2011. The Company did not conduct any substantive business operations from the date it was incorporated on December 7, 2010 until the consummation of the Acquisition on February 8, 2011. Accordingly, between December 7, 2010 and the consummation of the Acquisition on February 8, 2011, the Company itself did not generate any revenue and had only immaterial assets and liabilities. The operational results of our Group are reflected in the unaudited combined income statement for the period May 1, 2010 to February 8, 2011 and in the consolidated income statement from December 7, 2010 (covering the operating periods from February 8, 2011) to April 30, 2011.

The Unaudited 2011 Pro Forma Consolidated Information includes the following main *pro forma* adjustments with a one-off effect on the results of operations:

- PPA step-up effect on inventories: the Acquisition has been accounted for using the purchase method. In accordance with IFRS 3, the identifiable assets, liabilities and contingent liabilities acquired were measured at their fair value as of the acquisition date. The fair value of the net assets includes, among other things, a step-up of the inventories amounting to €151.5 million. The consolidated income statement of Salsa Retail Holding DebtCo 1 S.à r.l. for the short fiscal year from December 7, 2010 to April 30, 2011 reflects an amortization of this step up of inventories based on the inventory turnover in the respective period amounting to €82.6 million. In the *pro forma* consolidated income statement the residual amount of €69.0 million has also been amortized considering the annual inventory turnover of Takko; and
- Interest rate hedges: upon closing of the Acquisition, the former senior facilities agreement has been terminated and has been replaced by the Existing Senior Facilities Agreement. As the loan amounts and interest conditions of the Existing Senior Credit Facilities Agreement differ from the former one, the respective interest rate hedging arrangements have also been terminated before closing and replaced by new swap and cap agreements. The expenses of the cancellation of the former hedging arrangements have been accounted for in the combined income statement of the Takko Combined Entities for the period from May 1, 2010 to February 8, 2011. The *pro forma* adjustments assume a closing of the transaction on May 1, 2010 and the respective termination of the hedging contracts before May 1, 2010. This results in an elimination of the settlement costs as well as an adjustment with regard to the hedging conditions; the respective net effect of €9.7 million reduces the finance costs.

The Unaudited 2011 Pro Forma Consolidated Information includes the following main *pro forma* adjustments with a continuing effect on the results of operations:

- Interest from the shareholder loan / PECs from Salsa Retail Holding MidCo S.à r.l. to Salsa DebtCo 1 S.à r.l.: Salsa Retail Holding MidCo S.à r.l. has granted preferred equity certificates (“PECs”) in the amount of €258 million to Salsa Retail Holding DebtCo 1 S.à r.l. with various tranches and interest conditions. Upon closing of the Acquisition, a shareholder loan by the former shareholder was repaid. The *pro forma* consolidated income statement presents adjusted interest expenses for shareholder loans in an aggregate amount of €16.8 million assuming that the new PECs have already been granted as of May 1, 2010 and that the former shareholder loan has been repaid as of May 1, 2010. This leads to a *pro forma* adjustment of additional finance costs for the period from May 1, 2010 to April 30, 2011 amounting to €3.8 million;
- Interest expense from the bank debt: the sources of financing for the Acquisition include €600 million drawn term loans under an €850 million senior facilities agreement. The *pro forma* consolidated

income statement is based on the assumption that the term loans have been drawn on May 1, 2010. This assumption leads to total interest expense for the senior term loan of €38.7 million in the period from May 1, 2010 to April 30, 2011. The additional interest expenses of €15.2 million for the period from May 1, 2010 to February 8, 2011 are reflected in the finance costs;

- Letters of credit facility: the Existing Senior Facilities Agreement defines different fees for the usage of documentary letters of credit which support the merchandise import. The *pro forma* consolidated income statement assumes that the new fee arrangements for letters of credit became effective on May 1, 2010, leading to an increase of other operating expenses of €2.4 million; and
- Treatment of income tax impacts: Takko Holding GmbH and certain other German group entities carried forward, for periods prior to the Acquisition, significant losses concerning income taxes and interest expenses. The *pro forma* consolidated income statement assumes that a unified fiscal entity was established as of May 1, 2010. Thus the current and deferred income tax expenses for the period May 1, 2010 to April 30, 2011 have been calculated on the basis of the following effects:
    - The actual tax loss carry-forward and the interest carry-forward due to the German interest barrier rules (*Zinsschranke*) of Takko Holding GmbH as of April 30, 2010 cannot be used in the foreseeable future.
    - The advantages of a unified fiscal entity have been reflected.

  As a result of the aforementioned assumed general changes of the tax structure in Germany as well as the impact of the other *pro forma* adjustments on the tax base, the *pro forma* consolidated income statement presents an additional *pro forma* income tax expense of €2.0 million. Furthermore, the interest barrier rules in Germany do not allow the full usage of the *pro forma* interest expenses for the calculation of the tax base leading to a deferred tax asset of €6.4 million with a corresponding positive impact on income taxes. In connection with the *pro forma* adjustment, considering the residual amount of the amortization of step up on inventories (€69.0 million), deferred tax income amounting to €20.7 million has been adjusted in the *pro forma* consolidated income statement. Therefore, the tax loss carry-forwards and the impact of a fiscally unified structure are treated differently than the income tax calculations for the Unaudited 2013 Interim Consolidated Financial Statements, 2012 Consolidated Financial Statements as well as the 2010 Combined Financial Statements.

The Unaudited 2011 Pro Forma Consolidated Financial Information has been prepared for illustrative purposes only and such compilations have not been audited. Since the Unaudited 2011 Pro Forma Consolidated Financial Information contains assumptions and uncertainties, it does not purport to represent what our actual results would have been had the Acquisition taken place on May 1, 2010 and is not an indication of what our results of operations, financial condition and cash flows will be in the future. Therefore, the Unaudited 2011 Pro Forma Consolidated Financial Information is only to a very limited extent comparable to the 2010 Combined Financial Statements, 2011 Consolidated Financial Statements and 2012 Consolidated Financial Statements. The Unaudited 2011 Pro Forma Consolidated Financial Information is only meaningful in conjunction with the Company's historical 2011 Consolidated Financial Statements.

Except as otherwise indicated, the financial information presented in this offering memorandum for (i) the nine month periods ended January 31, 2013 and January 31, 2012 are extracted or derived from the Unaudited 2013 Interim Consolidated Financial Statements, (ii) the fiscal year 2012 are extracted or derived from the 2012 Consolidated Financial Statements, (iii) the twelve month period ended April 30, 2011 are extracted or derived from Unaudited 2011 Pro Forma Consolidated Financial Information, (iv) the financial information as of April 30, 2011 and for the short fiscal year 2011 are extracted or derived from the 2011 Consolidated Financial Statements and (v) the fiscal year 2010 are extracted or derived from the 2010 Combined Financial Statements.

Certain financial information in this offering memorandum has been presented for the twelve month period ended January 31, 2013. The financial information for the twelve month period ended January 31, 2013 has been calculated by subtracting the figures for the nine month period ended January 31, 2012, derived from the Unaudited 2013 Interim Consolidated Financial Statements, from the figures for fiscal year 2012, derived from the 2012 Consolidated Financial Statements, and adding the figures for the nine month period ended January 31, 2013, derived from the Unaudited 2013 Interim Consolidated Financial Statements.

Financial information referred to in this offering memorandum as "audited" was taken or derived from our 2010 Combined Financial Statements, 2011 Consolidated Financial Statements or 2012 Consolidated Financial Statements specified above. Financial information referred to in this offering memorandum as "unaudited" was taken or derived from our Unaudited 2013 Interim Consolidated Financial Statements, Unaudited 2011 Pro Forma Consolidated Financial Information or from our accounting records or internal management reporting systems.

Non-IFRS Financial Measures

Throughout this offering memorandum, we present financial measures and adjustments that are not presented in accordance with IFRS, or any other internationally accepted accounting principles, including EBT, EBIT, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA margin by segment, Adjusted EBITDAR, Adjusted Cost of Materials, Adjusted Gross Profit, Adjusted Gross Margin, Static Like-for-Like Net Revenue, Static Like-for-Like Net Revenue Growth, Dynamic Like-for-Like Net Revenue Growth, Capital Expenditures, financial indebtedness, Store Contribution Margin as well as certain leverage and coverage ratios derived from Adjusted EBITDA.

We have defined each of the following non-IFRS financial measures and earnings adjustments as follows:

- "EBT" is profit or loss before taxes.
- "EBIT" is profit or loss before taxes plus financial result.
- "EBITDA" is profit or loss before taxes plus financial result as well as depreciation, amortization and impairment of property, plant and equipment and intangible assets.
- "Adjusted EBITDA" is EBITDA as adjusted for extraordinary effects, inventory revaluations and reclassifications.
- "Adjusted EBITDA Margin" is Adjusted EBITDA as a percentage of net revenue.
- "Adjusted EBITDA margin by segment" is Adjusted EBITDA by segment as a percentage of external net revenue by segment. These figures exclude transfer pricing charges from Takko Holding GmbH to those legal entities achieving an EBIT margin above 5.5%, but include certain other intercompany charges.
- "Adjusted EBITDAR" is Adjusted EBITDA plus lease payments excluding costs for services.
- "Adjusted Cost of Materials" is cost of materials as adjusted for effects from the PPA, reversal of inventory provisions and gains or losses arising on revaluation inventories.
- "Adjusted Gross Profit" is net revenue minus cost of materials, as adjusted for inventory effects from the PPA, reversal of inventory provisions and gains or losses arising on revaluation of inventories.
- "Adjusted Gross Margin" is Adjusted Gross Profit as a percentage of net revenue.
- "Static Like-for-Like Net Revenue" consists of net revenue at stores based on a static portfolio of stores all opened before or as of May 1, 2009 and not closed before February 1, 2013, excluding stores sub-leased, stores operated by cooperation partners and stores used only as outlet stores for out-of-season inventory, as well as commission revenues from "bee line" products. For purposes of calculating the Static Like-for-Like Net Revenue, our combined net revenue for the period from May 1, 2010 to February 8, 2011 and our consolidated net revenue for the period from February 8, 2011 to April 30, 2011 for such static portfolio of stores have been aggregated for the twelve month period ended April 30, 2011.
- "Static Like-for-Like Net Revenue Growth" is a comparison between two periods based on Static Like-for-Like Net Revenue.
- "Dynamic Like-for-Like Net Revenue Growth" is a comparison between two periods based on net revenue at stores, which are open during the entire previous comparative period and the entire respective reporting period. This leads to a growing dynamic like-for-like portfolio over time. For purposes of calculating the Dynamic Like-for-Like Net Revenue Growth, our combined net revenue for the period from May 1, 2010 to February 8, 2011 and our consolidated net revenue for the period from February 8, 2011 to April 30, 2011 have been aggregated for the twelve month period ended April 30, 2011. As opposed to dynamic like-for-like net revenue growth, the static approach uses the same set of stores across all relevant periods, allowing for a more transparent comparison across periods.
- "Capital Expenditures" are the sum of (i) purchase of property, plant and equipment, (ii) purchase of intangible assets and (iii) acquisition of subsidiaries net of cash acquired (other than the Acquisition).
- "financial indebtedness" is non-current and current liabilities to bank plus financial liabilities from finance leases.
- "Store Contribution" is all sales incurred in the respective store *minus* all costs directly related to the respective store. Direct store costs comprise items such as rent (including finance leases), personnel

costs, and store-specific and regional marketing costs as well as internal store-specific cost of goods sold, but excludes certain central cost items such as central overhead costs, logistics, group consolidation effects, foreign exchange effects, stock taking differences and write-downs. The calculation of Store Contribution may vary based on country-specific cost allocations and other local variations and may not be comparable across time periods due to changes in overhead cost allocations and other accounting policies.

- "Store Contribution Margin" is Store Contribution as a percentage of store net revenue.

We have presented these non-IFRS financial measures (1) as they are used by our management to monitor and report to our board members on our financial position for outstanding debt and available operating liquidity and (2) to represent similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity. We believe these measures enhance the investor's understanding of indebtedness and our current ability to fund our ongoing operations, make capital expenditures and our ability to service requirements. We have also presented adjusted debt and *pro forma* interest expense measures, as we believe these measures more appropriately reflect to investors the financial position of and cost of debt to the Company in light of the Refinancing.

However, these non-IFRS financial measures are not measures determined based on IFRS, or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or other indicators of our cash flow and forward position based on IFRS measures. The non-IFRS financial measures, as defined by us, may not be comparable to similarly-titled measures as presented by other companies due to differences in the way our non-IFRS financial measures are calculated. The non-IFRS financial information contained in this offering memorandum is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC. Even though the non-IFRS financial measures are used by management to assess the Company's financial position and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our position or results as reported under IFRS. For example, some of the limitations for the non-IFRS financial measures include the following:

- they exclude certain tax payments that may represent a reduction in cash available to us;
- they do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- they do not reflect changes in, or cash requirements for, our working capital needs; and
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest payments on our debts.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, statements in this offering memorandum regarding the market environment, market developments, growth rates, market trends and the competitive situation in the markets and segments in which we operate are based on data, statistical information, sector reports and third-party studies as well as on our own estimates.

In drafting this offering memorandum, the following sources, in particular, were used:

- OC&C Strategy Consultants GmbH produced a market study ("OC&C Report") at the request of Takko Holding GmbH in November 2010 in connection with the sale of our Group by our former shareholder Advent International Corporation ("Advent International"). The statements of the OC&C Report are included, in the form and context in which it is included, with the consent of OC&C Strategy Consultants GmbH;
- Mintel International Group Ltd, Clothing Retailing – Europe, Retail Intelligence, October 2009 ("Mintel 2009");
- Euromonitor International Ltd, market share data ("Euromonitor 2012");
- Marketline – Apparel Retail in Germany, June 2012 and Apparel Retail in Russia, June 2012 (together, "Marketline 2012");
- Mintel International Group Ltd, Clothing Retailing – Europe, October 2012 ("Mintel 2012"); and
- Textilwirtschaft monthly sales data ("Textilwirtschaft").

To the extent that information was taken from third parties, such information has been accurately reproduced by us in this offering memorandum and, as far as we are aware and able to ascertain from the information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is by nature forward-looking and speculative. In particular, market share data in this offering memorandum which is coming from Euromonitor International Limited should not be relied upon in making, or refraining from making, any investment decision.

We have not verified the figures, market data and other information used by third parties in our studies, publications and financial information, or the external sources on which our estimates are based. We therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this offering memorandum or for the accuracy of data on which our estimates are based. However, to the extent described above, the Issuer and Guarantors take responsibility for the correct extraction and reproduction of the information from third party studies.

This offering memorandum also contains estimations of market data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (such as from conferences and sector events) or internal assessments. We believe that our estimates of market data and the information we have derived from such data helps investors to better understand the industry we operate in and our position within it. Our own estimates have not been checked or verified externally. We nevertheless assume that our own market observations are reliable. We give no warranty for the accuracy of our own estimates and the information derived from them. They may differ from estimates made by our competitors or from future studies conducted by market research institutes or other independent sources.

EXCHANGE RATES

The following table sets out, for the periods set forth below, the high, low, average and period end Bloomberg Generic Rate expressed as U.S. dollars per €1.00. The Bloomberg Generic 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 Generic Rate is a mid value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. None of the Issuer, the Guarantors or the Initial Purchasers represent that the U.S. dollar or euro amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

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

	Period end	*Average rate*	*High*	*Low*
	(U.S. dollars per €)			
Year				
2008	1.3971	1.4712	1.5991	1.2453
2009	1.4321	1.3948	1.5134	1.2530
2010	1.3384	1.3266	1.4513	1.1923
2011	1.2961	1.3926	1.4830	1.2907
2012	1.3193	1.2860	1.3458	1.2061

	Period end	*Average rate*	*High*	*Low*
	(U.S. dollars per €)			
Month				
September 2012	1.2860	1.2874	1.3130	1.2566
October 2012	1.2960	1.2970	1.3119	1.2875
November 2012	1.2986	1.2839	1.2986	1.2704
December 2012	1.3193	1.3127	1.3244	1.2927
January 2013	1.3579	1.3302	1.3579	1.3049
February 2013	1.3057	1.3339	1.3640	1.3057
March 2013	1.2819	1.2957	1.3107	1.2780
April 2013 (through April 16, 2013)	1.3185	1.3003	1.3185	1.2820

SUMMARY

Overview

We are a leading European apparel retail group focused on the attractive value fashion segment, with more than 1,750 stores across 16 countries in Western, Central and Eastern Europe. We offer a wide range of private label apparel and accessories for women, men, and children, primarily targeting price-conscious, yet fashion-oriented families, with a focus on delivering high value for money with limited fashion risk. Our home market is Germany, where approximately 60% of our stores are located, and we also have a presence in 15 other European markets, including Austria, the Netherlands, the Czech Republic, Hungary, Romania, Poland and Slovakia. In addition, we have recently established a joint venture with a view towards entering the Russian market. Our geographic footprint gives us a basis in the attractive German market and the opportunity to benefit from the continued economic development of countries in Eastern Europe.

Since 2009, we have repositioned the Takko brand from a discount format towards a value fashion format with a refreshed and distinct brand appearance. To support this change, we have developed a strong focus on fashion-oriented, price-conscious customers and we have refurbished nearly all of our stores. At the same time, we continue to pursue a brand strategy to clearly distinguish our brands from trend-driven and young consumer-oriented apparel retailers which offer their products at relatively higher prices with a higher degree of fashion risk. We are a fashion follower trying to take relatively limited fashion risk in our collections. We believe that the "Takko" brand proposition is now well-established with our customer base, as can be seen from our market share in the German apparel retail market which grew from 1.5% in 2007 to 2.2% in 2012. To complement our strategy, we have also launched an additional store format called "1982," which is focused on selling fashion basics in more urban locations. The "1982" stores are intended to offer a different store experience than the traditional Takko format due to the different product offerings and location of the stores.

We have a vertically integrated and scalable business model, with in-house design and sourcing capabilities, standardized store formats and long established ties to our key suppliers. We believe this approach allows us to capture a higher profit share as we do not share our margin with wholesalers and other intermediaries. Moreover, due to our lean and scalable business model, we are able to maintain and expand our store footprint with limited capital expenditure and working capital requirements, showing short payback times and a positive store contribution within a few months of a store opening. Our stores are located mainly in attractive out-of-city locations such as retail parks. This keeps our operating costs low and allows us to offer a convenient shopping experience to our target customers.

After having significantly grown our market share in the German apparel retail market in the period from 2007 to 2010 from 1.5% to 2.1%, our performance was stable in difficult market conditions, resulting in a further increase of our market share to 2.2% in 2011 and 2012. The past two years in particular were characterized by market-wide challenges posed by an increase in the cost of raw materials and wage inflation impacting our cost of materials as well as unfavorable consumer sentiment in many markets in which we operate. Our brand repositioning and our continued focus on cost efficiency have helped to partially mitigate the effects of these uncertain economic times. In fiscal year 2012, our net revenue grew by 10.8% from *pro forma* €938.5 million for the twelve month period ended April 30, 2011 to historical €1,040.4 million for fiscal year 2012, after an 18.8% growth from historical €789.9 million for the fiscal year 2010 to *pro forma* €938.5 million for the twelve month period ended April 30, 2011. In the twelve month period ended January 31, 2013, we realized 3.4% net revenue growth as compared to the twelve month period ended January 31, 2012. We generated net revenue of €1,051.5 million and Adjusted EBITDA of €128.2 million, with an Adjusted EBITDA Margin of 12.2% in the twelve month period ended January 31, 2013. We built on our track record of successful international expansion with our entry into several new markets, most recently into Italy and Serbia. We also established a joint venture with a view towards entering the Russian market during the course of 2013.

Our Strengths

We believe that we have developed a strong competitive position as illustrated by the following key strengths:

Focus on the Attractive Value Fashion Segment in Growing European Markets

We operate in the value fashion market segment, a growing sub sector of the apparel retail market situated between the low mainstream and the discount fashion segments. In Germany, for example, the market share of

value fashion market participants grew from 29.1% in 2007 to 35.1% in 2012 according to a 2012 report by Euromonitor. We believe that this structural trend has been driven by a change in consumer perception of value fashion.

In Germany, we have increased our market share in the overall apparel retail market from 1.5% in 2007 to 2.2% in 2012. At the same time, the German apparel market has shown resilience, showing overall positive growth over the last several years, which include recession and post-recession periods. According to the Mintel 2012 report, between 2007 and 2012 the German apparel market grew at a CAGR of 0.5%.

According to the Mintel 2012 report, total apparel sales in three major Eastern European countries where Takko is present have grown at a CAGR of 3.3% from 2007 to 2012. We believe that these geographies represent very attractive growth opportunities and as of January 31, 2013, we operated 234 stores in these three countries (Czech Republic, Hungary and Poland) and 414 stores in Eastern Europe overall and plan to continue our expansion in the region.

Compelling Brand Proposition

We offer a broad range of quality casual clothing and accessories in the value fashion segment for women, men and children with a focus on young price-conscious, yet fashion-oriented families. Our focus on established fashion trends, instead of being a fashion leader, distinguishes us from other fashion retailers and substantially reduces our exposure to fashion risk. Within our customer base, we believe we enjoy high brand awareness and strong customer recognition and are well known for successfully combining fashionable products, affordable prices and an attractive shopping environment.

Vertically Integrated Supply Chain and Strict Focus on Costs

We believe that control of the supply chain is a key success factor for an international, large scale retailer like Takko. With the exception of the production process itself, which is overseen by our own offices in all major supplier countries, we control all key critical stages of our supply chain. We design approximately 80% to 90% of our apparel collections in-house, procure our merchandise mainly by direct sourcing or vertical partnerships through our own sourcing offices located in China, India, Bangladesh and Sri Lanka and distribute merchandise through our directly operated stores. We have highly capable and experienced design and sourcing teams dedicated to ensuring the smooth operation of our supply chain. We believe that this vertically integrated structure, along with a continued focus on cost efficiency, allows us to capture a higher profit share as we do not share our margin with wholesalers and other intermediaries.

Extensive, Well Invested, and Geographically Diverse Store Portfolio

We currently operate more than 1,750 stores across 16 countries in Western and Central Europe, as well as Eastern Europe, with a total of more than 800,000 square meters of selling space. The majority of our stores are not located in city centers or on high streets, but in out-of-town commercial areas, including retail parks, hypermarkets and commercial zones. Our store locations provide customers with a convenient shopping experience which generally leads to attractive conversion rates (i.e. the percentage of store visitors who make a purchase). In Germany, a visit to one of our stores is typically combined with grocery shopping or shopping at other retailers located in the vicinity of our store. Our out-of-town locations also provide us with good options and flexibility in selecting new lease locations compared to our high-street competitors. Additionally, because the majority of our stores are located on the periphery of cities in retail parks, rents are significantly lower than in high street retail locations.

In 2009 and 2010, we implemented a comprehensive store refurbishment and rebranding program involving more than 1,000 Takko stores, which supported the Takko positioning as a value fashion player and included a makeover of our corporate identity. The store portfolio is now well invested with moderate maintenance requirements. We continue to further invest in our store portfolio and continuously monitor our store portfolio to determine whether additional investments are required or whether certain underperforming stores should be permanently closed.

We currently lease all of our stores. Our lease terms are generally for a duration of ten years in Germany and five years in other markets. We also generally have the ability to extend our leases for at least five further years after the initial term. As of January 31, 2013, our average remaining lease term was approximately 53 months (excluding extension options), and we believe that we do not have any significant landlord

concentrations. We regularly review our lease contracts and renegotiate more favorable terms where possible. For example, during the nine month period ended January 31, 2013, we renegotiated 178 leases, generating annualized savings of approximately €1.2 million. We believe our large store footprint significantly reduces the risk of a sudden, unfavorable shift in our overall lease terms.

Successful Expansion in Existing and New Geographies

Our business model is highly scalable, which facilitates growth by allowing us to expand our operations in a cost efficient manner in both existing and new geographies. The key characteristics of this scalability are the limited capital expenditure requirements for new store openings, a generally short payback period until the stores recover the initial cash investment (typically within twelve to eighteen months of a new Takko store opening), standardized processes such as centrally defined modules for all stores and standard procedures for store openings and market entries.

The scalability of our business model has allowed us to successfully enter six new European markets since fiscal year 2009 and, between May 1, 2009 and January 31, 2013, to open 612 stores on a gross basis. Our products are now sold in approximately 700 stores outside Germany, spread across 15 European countries. International net revenue accounted for approximately 35.6% of our total net revenue (approximately 19.9% for Eastern Europe and approximately 15.7% for Western and Central Europe) in the twelve month period ended January 31, 2013.

Strong Track Record of Growth and Cash Management

In the recent past, we have demonstrated our ability to achieve growth both in a growing economic environment and during an economic downturn and adverse consumer sentiment. In fiscal year 2010, the twelve-month period ended April 30, 2011 and fiscal year 2012 we achieved Like-for-Like Net Revenue Growth of 6.4% (dynamic), 9.8% (static) and 2.3% (static), respectively, as compared to each prior year comparative period. Despite a decrease in static Like-for-Like Net Revenue Growth in the twelve month period ended January 31, 2013 of 3.8% (as compared to the twelve month period ended January 31, 2012), we have managed to increase profitability due to a recovery of our Adjusted Gross Margin as well as our focus on cost discipline. In the nine month period ended January 31, 2013 our Adjusted Gross Margin recovered by 120 basis points from 55.7% to 56.9% and our Adjusted EBITDA Margin from 11.4% to 12.2% as compared to the nine month period ended January 31, 2012. Between May 1, 2009 and January 31, 2013 we opened a total of 612 new stores on a gross basis (475 on a net basis) and our net revenue increased by 11% per year on average. The average Static Like-for-Like Net Revenue Growth between the nine month period ended January 31, 2010 and the nine month period ended January 31, 2013 was 2.9% per year.

We benefit from limited capital expenditure requirements and favorable payment conditions with suppliers typically due to long-term supplier relationships in Asia. We have reduced the amount of cash drawings under our revolving credit facility by €35.0 million from €40.0 million as of January 31, 2012 to €5.0 million as of January 31, 2013. We have also significantly reduced the utilization of letters of credit in our supply chain from €167.4 million as of January 31, 2012 to €117.0 million as of January 31, 2013 through a more targeted use of letters of credit.

Experienced and Capable Management Team with Strong Shareholder Backing

We have a strong and incentivized management team with significant retail experience and a proven track record. The senior management team comprises Chief Executive Officer Stephan Swinka, Chief Financial Officer Hannes Rumer, Chief Sales Officer Andreas Kromer and Chief Procurement Officer Alexander Mattschull who combine significant experience in the retail and consumer industry. Furthermore, we have recently added Chief Merchandise Officer Hardy Schulz to our senior management team, who brings extensive product management knowledge to our team. Over the last five years, management has implemented an extensive store refurbishment and re-launch program, transforming us from a discount format towards a value fashion retail company. During this period, management has also successfully executed our expansion strategy despite the economic downturn in 2009 and unfavorable market conditions for European fashion retailers in 2011 and 2012, with a continuation of our domestic and international expansion and the launch of the innovative “1982” format following successful tests in 2009.

Since the Acquisition of our Group by funds advised by Apax in February 2011, we have benefited from the financial backing, investment experience and knowledge of one of the world’s leading private equity investment

groups. Apax has deep retail and consumer expertise and a successful track record of investing in the retail sector. During their history, funds advised by Apax have invested in many retail and consumer businesses globally, including fashion companies such as Tommy Hilfiger, Phillips-Van Heusen/Calvin Klein, rue21, New Look, CBR (Street One, Cecil, OneTouch), Tommy Bahama and The Children's Place, as well as specialty retailers like Somerfield, Sunglass Hut, Plantasjen and Nordsee.

Our Strategy

Our business strategy is based on three pillars: (i) strengthen our market position, (ii) further expansion to enhance geographical diversification and market penetration and (iii) innovation and business model extension. We will also continue to focus on operational efficiency, cost control and cash flow generation.

Strengthen Market Position

We intend to continue to increase our market position in the markets in which we operate. To achieve this goal, we have taken various measures as part of a comprehensive store portfolio strategy, including the overall store refurbishment program in 2009 and 2010, and the repositioning of the Takko brand from a discount format towards a value fashion format. We continue to build on these measures with improvements of our retail space (such as improving back-wall visual merchandizing and the continuous introduction of better product carriers) and the continuous review of stores with weaker financial performance resulting in case-by-case decisions on whether to close, sub-lease or relocate the store or renegotiate the lease agreement for improved terms.

We have also implemented, or are in the process of implementing, a range of other strategic initiatives. These initiatives are aimed at further developing our product assortment in line with consumer preferences, strengthening our position as a value fashion retailer in the low price segment (for example by defining a price architecture with signal price items), redefining our marketing strategy to reflect the transformation of Takko from a discount retailer towards a value fashion brand (including the use of online marketing measures and social media), optimizing store logistics to avoid out-of-stock items and improving inventory allocation to stores. We have also initiated IT enhancements and improvements of merchandise management as well as various sales management projects designed to increase space productivity and sales density.

Expansion and Further Geographical Diversification

We have successfully expanded our store network by opening, on average, approximately 130 new stores on a net basis per year over the last three fiscal years. In the medium term, we plan to continue expanding our store footprint with a focus on Western and Central Europe as well as Eastern Europe. According to an OC&C Report commissioned in 2010, our markets have a total long-term store potential of 3,800 stores (as compared to the 1,787 stores that we operated as of January 31, 2013). As part of our continued expansion in Eastern Europe, we entered the Serbian market in May 2011 and we have recently established a joint venture with a view towards entering the Russian market during the course of 2013. Under the terms of the joint venture agreement, we will contribute approximately 5% of the required cash investments and own 33% of the equity interests in the joint venture. We will carefully evaluate additional expansion opportunities as they arise over the coming years.

Business Model Extension and Innovation

We believe that there are a number of additional opportunities to expand the business in existing markets and enter new markets.

Retail format strategy—"1982": The "1982" product offering is focused on more basic fashion items and lower perceived prices compared to the classic Takko format. Stores are larger and located in high footfall locations, such as shopping centers or city centers in cities with more than 100,000 inhabitants. The format is complementary to the classic Takko format and provides us with access to a broader, younger and price-conscious target group in urban areas that is not explicitly targeted with the classic Takko offering.

As of January 31, 2013, we had 25 "1982" stores in Germany and in the Netherlands. Based on the success of these stores, we may decide to accelerate the roll-out of "1982" stores and see an estimated potential for approximately 80 "1982" stores in Germany and a further 100 stores in other European countries.

E-commerce: To date, we have invested in direct marketing and communication through our website, but have not yet implemented an e-commerce platform. We believe that selling our products online represents an opportunity for further growth potential by giving us the ability to significantly expand our customer base and benefit from cross-channel marketing and sales. Launching an e-commerce platform is one of our key priorities, and we are currently working on launching an e-commerce platform starting in Germany.

In-sourcing of fashion jewelry: Until the current fiscal year, a certain proportion of the sales of fashion jewelry in our stores were made by our "bee line" business partners, generating sales commission for us. We have terminated the agreement with this partner, and are in the process of in-sourcing the sale of all fashion jewelry in the future. We believe that this will allow us to further increase our margin in this product category.

Demand-Driven Supply: We are currently performing a comprehensive review of our supply chain policies with a view towards establishing more demand-driven policies and improving the inventory allocation across our stores.

Continued Focus on Operational Efficiency, Cost Savings and Cash Flow Generation

Although the unfavorable market conditions for European fashion retailers have also had an impact on our operating margins, which dropped significantly from the twelve month period ended April 30, 2011 to fiscal year 2012, we continued to generate cash. Furthermore, we have stabilized our Adjusted EBITDA Margin at 12.2% for the twelve month period ended January 31, 2013. Our strong capabilities in cost control implemented by a well-established project management approach have helped us to decrease store costs over the same period.

Our strong focus on cash flow generation has also led to the decision to aggressively clear out excessive inventory left from the fall winter season 2011. As a result of the currently lower consumer sentiment in most of our markets, we will continue to manage our inventory cautiously.

We are committed to maintaining our focus on customer orientation, operational efficiencies and cost savings while ensuring high standards across our business. We also continually review our supply chain (in particular, supplier locations, performance and contractual arrangements) to ensure that we benefit from competitive terms and a high level of reliability and efficiency in our supply chain. We believe there are opportunities to further increase our attractiveness for customers, improve operational efficiency and cost structure and achieve further procurement benefits within our business, and we intend to continue to identify and implement such initiatives.

Recent Developments

We are in the process of finalizing our results for February, but based on currently available information we expect our net revenues for February 2013 to be ahead of February of last year and LfL revenue to be relatively stable compared with the same month last year. Our actual results for the month may differ from these preliminary estimates and remain subject to changes.

As our fourth quarter only ends on April 30, 2013, we do not presently have any final information as to our results for the fourth quarter of the current fiscal year. Traditionally, March and April are two of our stronger months in terms of sales, with the month March also marking the beginning of a new season and we currently still have only limited visibility on how the new collections are performing. The corresponding quarter in 2012 was characterized by a very strong sales performance, in particular in March, and was also affected by an exchange rate effect relating to favorable USD/EUR exchange rate movements, which we do not expect to be repeated in the fourth quarter of the current fiscal year. It is likely that our Adjusted EBITDA for the fiscal year ended April 30, 2013 will be below our Adjusted EBITDA for the twelve month period ended January 31, 2013.

Our actual consolidated financial statements for the fiscal year ended April 30, 2013 may differ from these preliminary estimates and expectations and remain subject changes. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operation.

Our Shareholders

On February 8, 2011, Salsa Retail Holding TopCo S.à r.l. ("TopCo"), a Luxembourg holding company formed by funds advised by Apax, acquired the Takko Combined Entities from Advent Vision S.à r.l., a Luxembourg holding company formed by funds advised by Advent International for €1.4 billion (the

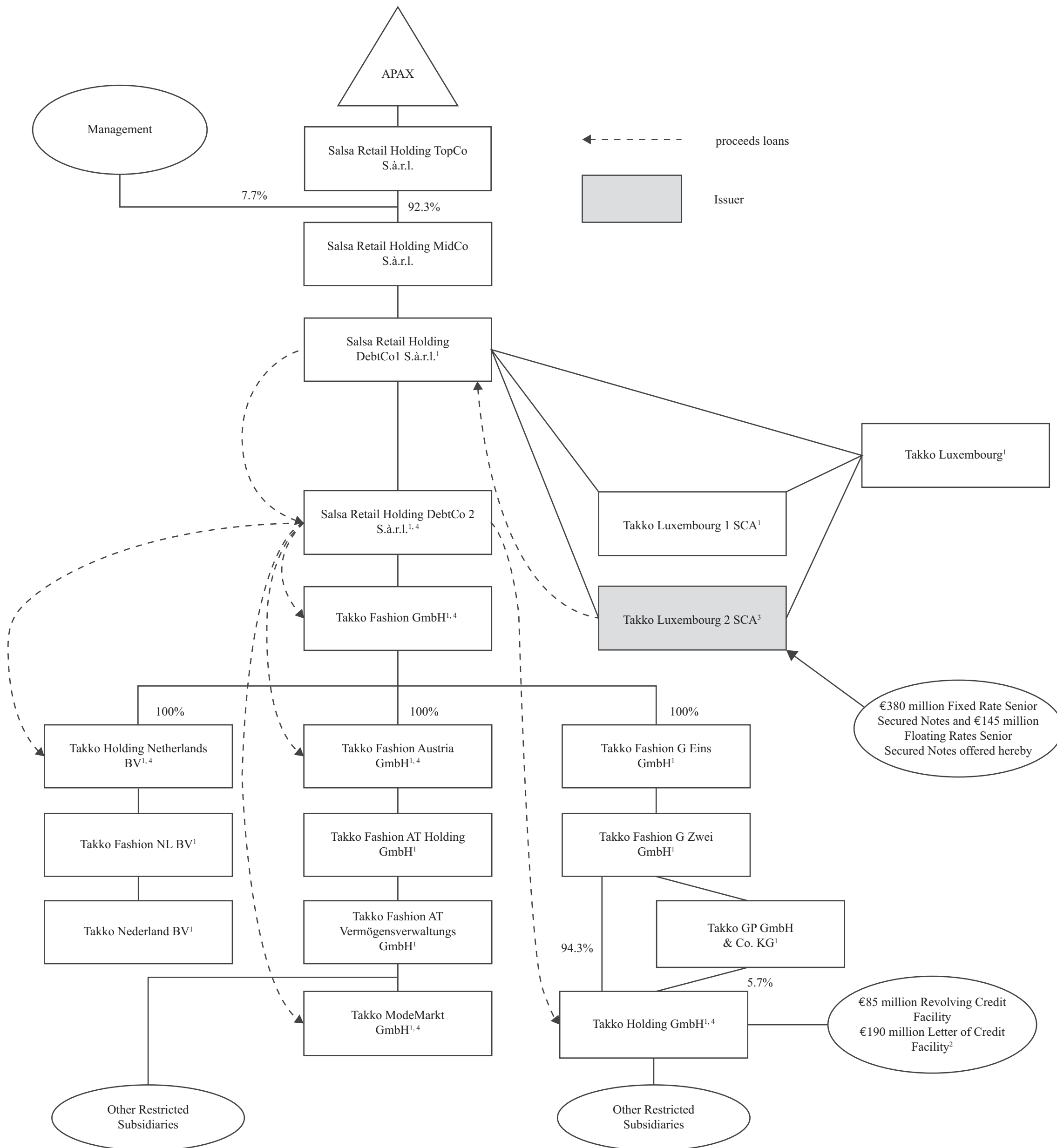
"Acquisition"). Sources of financing for the Acquisition comprised €675 million of equity from the new shareholders, a €100 million subordinated vendor loan provided by Advent Vision S.à r.l. and €600 million drawn term loans under an €850 million Senior Facilities Agreement.

Funds advised by Apax currently own 99.86% of the capital stock of TopCo. Management holds approximately 7.7% of the shares in Salsa Retail Holding MidCo S.à r.l., the sole shareholder of the Company.

In addition, on or before the Issue Date, funds advised by Apax will indirectly make a contribution in a net cash amount of no less than €100.0 million to the Company. See "Related Party Transactions—Shareholder Funding and Loans."

Summary Structure

The following diagram summarizes certain aspects of our corporate and financing structure, on an as adjusted basis after giving effect to the Offering.



1 This entity will serve as a Guarantor of the Notes.

2 The borrowers under the Senior Facilities Agreement will initially be Takko Holding GmbH, Takko Fashion GmbH, Takko Fashion Austria GmbH, Takko ModeMarkt GmbH and Takko Holding Netherlands B.V. The Senior Facilities will be guaranteed by the

Guarantors. The facility agent under the Senior Facilities Agreement will be UniCredit Luxembourg S.A. and the Security Agent will be UniCredit Luxembourg S.A.

3 Takko Luxembourg 2 S.C.A. will on-lend its proceeds of the Offering under proceeds loans to Salsa Retail Holding DebtCo 1 S.à r.l. See "Use of Proceeds."

4 Salsa Retail Holding DebtCo 2 S.à r.l. will on-lend the proceeds of the Offering received from the Company under proceeds loans to Takko Fashion GmbH, Takko Fashion Austria GmbH, Takko ModeMarkt GmbH, Takko Holding GmbH and Takko Holding Netherlands B.V. The borrowers under each of the proceeds loans will use the funds received to repay the amounts respectively owed by them under our Existing Senior Credit Facilities, as well as certain transaction costs. See "Use of Proceeds." The Indenture governing the Notes will not include any restrictions on amending or prepaying these proceeds loans. As a result, the initial amounts of such proceeds loans may be reduced, potentially to zero, prior to maturity of the Notes.

THE OFFERING

The following summary of the Offering contains basic information about the Notes and the collateral securing the Notes (the "Collateral"). It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Security, including certain definitions of terms used in this summary, please refer to the section of this offering memorandum entitled "Description of the Notes."

Issuer

The Fixed Rate Senior Secured Notes and the Floating Rate Senior Secured Notes will be issued by Takko Luxembourg 2 S.C.A., a corporate partnership limited by shares (*société en commandite par actions*) organized under the laws of Luxembourg (the "Issuer").

Notes Offered

- €380 million aggregate principal amount of 9.875% senior secured notes due 2019 (the "Fixed Rate Senior Secured Notes");
- €145 million aggregate principal amount of floating rate senior secured notes due 2019 (the "Floating Rate Senior Secured Notes" and, together with the Fixed Rate Senior Secured Notes, the "Notes"); and

The Issuer may issue additional Notes, subject to compliance with the covenants in the indenture governing the Notes (the "Indenture").

Issue Date

April 5, 2013 (the "Issue Date").

Issue Price

The issue price for the Fixed Rate Senior Secured Notes is 99.437% (plus accrued and unpaid interest from the Issue Date).

The issue price for the Floating Rate Senior Secured Notes is 99.50% (plus accrued and unpaid interest from the Issue Date).

Maturity Date

The Fixed Rate Senior Secured Notes will mature on April 15, 2019.

The Floating Rate Senior Secured Notes will mature on April 15, 2019.

Interest Rates

The Fixed Rate Senior Secured Notes will bear interest at a rate of 9.875% per annum.

The Floating Rate Senior Secured Notes will bear interest at a rate per annum equal to three-month EURIBOR plus 7.0%, reset quarterly.

Interest Payment Dates

The interest on the Notes will accrue from the Issue Date.

Interest on the Fixed Rate Senior Secured Notes will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2013.

Interest on the Floating Rate Senior Secured Notes will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on July 15, 2013.

Form and Denomination

Global Notes in denominations of €100,000 and any integral multiple of €1,000 in excess of €100,000. Notes in denominations less than €100,000 will not be available.

Ranking of the Notes

The Notes will be senior secured obligations of the Issuer and will rank *pari passu* in right of payment with all of the Issuer's existing

	and future senior obligations, senior in right of payment to all of the existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes and be effectively senior to all of the Issuer's existing and future senior unsecured indebtedness to the extent of the assets securing the Notes.
Guarantees	The Issuer's obligations under the Notes and the Indenture will be guaranteed (the "Guarantees") on a senior secured basis by Salsa Retail Holding DebtCo 1 S.à r.l., Salsa Retail Holding DebtCo 2 S.à r.l., Takko Fashion Austria GmbH (formerly Salsa Retail Austria BidCo GmbH), Takko Fashion GmbH (formerly Salsa Retail German Bidco GmbH), Takko Holding Netherlands B.V. (formerly Salsa Retail Netherlands Bidco B.V.), Takko Fashion AT Holding GmbH, Takko Fashion AT Vermögensverwaltungs GmbH, Takko ModeMarkt GmbH, Takko Fashion G Eins GmbH, Takko Fashion G Zwei GmbH, Takko GP GmbH & Co. KG, Takko Fashion NL B.V., Takko Nederland B.V., Takko Holding GmbH, Takko Luxembourg and Takko Luxembourg 1 S.C.A. (collectively, the "Guarantors"). The Guarantees will be subject to significant contractual and legal limitations, including under applicable law, and may be released under certain circumstances. See "Description of the Notes—Note Guarantees" and "Certain Limitations on Validity and Enforceability."
Ranking of the Guarantees	Each Guarantee will be a senior secured obligation of the relevant Guarantor. Accordingly, subject to certain limitations under applicable law, each Guarantee will: • rank *pari passu* in right of payment with all existing and future senior indebtedness of such Guarantor that is not subordinated to such Guarantee (including borrowings and guarantees under the Revolving Credit Facility); • be senior in right of payment to all existing and future subordinated obligations of such Guarantor; • be effectively subordinated to any secured indebtedness and other secured obligations of such Guarantor to the extent of the value of the assets securing such indebtedness or other obligations (other than to the extent such assets also secure such Guarantee on an equal and ratable or prior basis); and • be effectively subordinated to all liabilities (including trade payables), disqualified stock and preferred stock of each subsidiary of such Guarantor that is not itself a Guarantor. The Guarantees (other than the Guarantees by Salsa Retail Holding DebtCo 1 S.à r.l.) will be subject to significant contractual and legal limitations and may be released under certain circumstances. See "Risk Factors—Risks related to the Notes and the Guarantees," "Description of the Notes—Note Guarantees" and "Certain Limitations on Validity and Enforceability."
Collateral	The obligations of the Issuer and the Guarantors under the Notes, the Guarantees and the Indenture will be secured as of the Issue Date (or in the case of security over bank accounts, one business day thereafter) by a first-priority security interest over all present and future equity interests in each of the Issuer and the Guarantors (other than Salsa Retail Holding DebtCo 1 S.à r.l.), as well as present and

future bank accounts, intellectual property, certain inventory and certain other moveable assets, insurance proceeds and all present and future intercompany receivables (including certain proceeds loans), subject to certain agreed security principles and agreed exceptions.

The Collateral securing the Notes will be shared with the Senior Facilities and certain hedging obligations.

Under the terms of the Intercreditor Agreement, proceeds of any enforcement of the security will be applied to repay the Senior Facilities and certain hedging obligations in priority to the Notes and any other secured obligations. See "Description of Other Indebtedness—Intercreditor Agreement." The Senior Facilities will be secured on a first priority basis by security interests granted over the same assets as the assets securing the Notes, and will in addition be secured by real estate collateral.

The Collateral securing the Notes may be shared ratably with certain other debt holders in the future, including any additional notes issued in accordance with the Indenture. The Collateral will be subject to significant contractual and legal limitations and may be released under certain circumstances. See "Risk Factors—Risks related to the Notes and the Guarantees," "Description of the Notes—Security" and "Certain Limitations on Validity and Enforceability."

Use of Proceeds

The net proceeds of the Offering of the Notes, together with cash on hand, will be used by the Issuer to repay the Existing Senior Credit Facilities in full and for related commissions, fees and expenses. See "Use of Proceeds."

Additional Amounts

All payments with respect to the Notes or a Guarantee will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of countries in which the Issuer or Guarantor is organized or resident for tax purposes, except to the extent required by law. If withholding or deduction is required by law in any relevant taxing jurisdiction, subject to certain exceptions, the Issuer and the Guarantors will pay such additional amounts as may be necessary so that the net amount received by any holder of Notes (including additional amounts) after such withholding or deduction will not be less than the amount such holder would have received if such withholding or deduction had not been required. See "Description of the Notes—Additional Amounts."

Optional Redemption of the Fixed Rate Senior Secured Notes

Prior to April 15, 2016, the Issuer may, at its option, redeem all or a portion of the Fixed Rate Senior Secured Notes by paying a "make whole" premium. On or after April 15, 2016, the Issuer may, at its option, redeem all or a portion of the Fixed Rate Senior Secured Notes, at any time or from time to time, at the redemption prices listed in "Description of the Notes—Optional Redemption."

At any time prior to April 15, 2016, the Issuer may, at its option, redeem up to 40% of the aggregate principal amount of the Fixed Rate Senior Secured Notes with the proceeds of certain equity offerings at a redemption price equal to the principal amount of such Fixed Rate Senior Secured Notes to be redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original

aggregate principal amount of the Fixed Rate Senior Secured Notes remains outstanding immediately after the redemption. See "Description of the Notes—Optional Redemption."

Optional Redemption of the Floating Rate Senior Secured Notes

Prior to April 15, 2014, the Issuer may, at its option, redeem all or a portion of the Floating Rate Senior Secured Notes by paying a "make whole" premium. The Issuer may, at its option, redeem all or part of the Floating Rate Senior Secured Notes on or after April 15, 2014 at the redemption prices listed in "Description of the Notes—Optional Redemption."

Optional Redemption for Tax Reasons

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, and, as a result, the Issuer or a Guarantor is required to pay additional amounts with respect to such withholding taxes, 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 interest and additional amounts, if any, to the date of redemption.

Change of Control

If the Issuer experiences a change of control, it may be required to offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, and additional amounts, if any. See "Description of the Notes—Change of Control."

Certain Covenants

The Indenture will, among other things, limit the ability of the Issuer and the restricted subsidiaries to:

- incur or guarantee additional indebtedness;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Issuer or the restricted subsidiaries or repurchase or redeem its subordinated debt or equity;
- make certain investments;
- sell, lease or transfer certain assets, including capital stock of restricted subsidiaries;
- enter into certain transactions with affiliates;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Issuer or any restricted subsidiary;
- consolidate or merge with other entities, or sell all or substantially all of its assets; and
- impair the Collateral securing the Notes.

All of these limitations will be subject to a number of important qualifications and exceptions and will be suspended with respect to the Notes if and when, and for so long as, the Notes are rated investment grade. See "Description of the Notes—Certain Covenants."

Transfers

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or any other applicable securities laws and are subject to restrictions on transferability and resale. See "Book-Entry, Delivery and Form—Transfers."

Absence of a Public Market for the Notes	The Notes will be new securities for which there is no existing market. Deutsche Bank AG, London Branch have advised us that they intend to make a market in the Notes. However, they are not obligated to do so, and may discontinue any market making at any time at their sole discretion and without notice. Accordingly, there is no assurance that an active trading market will develop or be maintained for the Notes.
No Registration Rights	We will not register the Notes under the U.S. federal or state securities laws or under the securities laws of any other jurisdiction.
Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market.
Trustee	Deutsche Trustee Company Limited.
Principal Paying Agent	Deutsche Bank AG, London Branch.
Security Agent	UniCredit Luxembourg S.A.
Registrar, Luxembourg Listing Agent and Luxembourg Transfer Agent	Deutsche Bank Luxembourg S.A.
Governing Law of the Notes, the Indenture and the Guarantees	New York.
Governing Law for the Intercreditor Agreement	England and Wales.
Governing Law of the Collateral Securing the Notes and Guarantees	The law of the jurisdiction in which the applicable Collateral is located.

RISK FACTORS

Investing in the Notes involves substantial risks. Investors should carefully consider all the information in this offering memorandum. In particular, investors should consider the factors set forth under "Risk Factors" before making a decision to invest in the Notes.

SUMMARY FINANCIAL AND OPERATING INFORMATION

Unless otherwise indicated, the following financial information for fiscal year 2010 has been extracted or derived from the audited combined financial statements as of and for the fiscal year ended April 30, 2010 of Takko Fashion G Eins GmbH, Telgte (Germany), Takko Fashion AT Holding GmbH, Vienna (Austria), Takko Fashion NL B.V., Oldenzaal (the Netherlands) and their respective directly and indirectly held subsidiaries (the "Takko Combined Entities"), which before the Acquisition were under common control of the former shareholder Advent Vision S.à r.l. since their initial acquisitions by this former shareholder, prepared in accordance with IFRS and taking into account the basis of preparation described in Note 1 to the combined financial statements and which are included in this offering memorandum (the "2010 Combined Financial Statements"). The financial information as of April 30, 2011 and for the short fiscal year 2011 has been extracted or derived from the consolidated financial statements of the Company as of April 30, 2011 and for the short fiscal year from December 7, 2010 to April 30, 2011 prepared in accordance with IFRS and included in this offering memorandum (the "2011 Consolidated Financial Statements"). The financial information for the twelve month period ended April 30, 2011 has been extracted or derived from the unaudited *pro forma* consolidated financial information of the Company for the twelve month period ended April 30, 2011, included in this offering memorandum (the "Unaudited 2011 Pro Forma Consolidated Financial Information"). The financial information for fiscal year 2012 has been extracted or derived from the audited consolidated financial statements of the Company as of and for the fiscal year ended April 30, 2012, prepared in accordance with IFRS and included in this offering memorandum (the "2012 Consolidated Financial Statements"). The financial information for the nine month periods ended January 31, 2013 and January 31, 2012 has been extracted or derived from the unaudited interim condensed consolidated financial statements of the Company as of and for the nine month period ended January 31, 2013, prepared in accordance with IFRS for interim financial reporting (IAS 34) and included in this offering memorandum (the "Unaudited 2013 Interim Consolidated Financial Statements").

The financial information for the twelve month period ended January 31, 2013 has been calculated by subtracting the figures for the nine month period ended January 31, 2012, derived from the Unaudited 2013 Interim Consolidated Financial Statements, from the figures for fiscal year 2012, derived from the 2012 Consolidated Financial Statements, and adding the figures for the nine month period ended January 31, 2013, derived from the Unaudited 2013 Interim Consolidated Financial Statements.

Financial information referred to in this offering memorandum as "audited" was taken or derived from our audited 2010 Combined Financial Statements, 2011 Consolidated Financial Statements or 2012 Consolidated Financial Statements. Financial information referred to in this offering memorandum as "unaudited" was taken or derived from our Unaudited 2013 Interim Consolidated Financial Statements, Unaudited 2011 Pro Forma Consolidated Financial Information or from our accounting records or internal management reporting systems.

The Unaudited 2011 Pro Forma Consolidated Financial Information has been prepared for illustrative purposes only. Since the Unaudited 2011 Pro Forma Consolidated Financial Information contains assumptions and uncertainties, it does not purport to represent what our actual results would have been had the Acquisition taken place on May 1, 2010 and is not an indication of what our results of operations, financial condition and cash flows will be in the future. Therefore, the Unaudited 2011 Pro Forma Consolidated Financial Information is only to a very limited extent comparable to the 2010 Combined Financial Statements, 2011 Consolidated Financial Statements and 2012 Consolidated Financial Statements. The Unaudited 2011 Pro Forma Consolidated Financial Information is only meaningful in conjunction with the Company's historical 2011 Consolidated Financial Statements.

Other than the non-IFRS data set forth below, the *pro forma* financial data set forth below and certain as adjusted information described below, the financial information included herein has been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"). For more information on the basis of preparation of this financial information, see "*Presentation of Financial and Other Information,*" and the notes to the financial statements included elsewhere in this offering memorandum.

The following table shows selected financial data for the Company and the Takko Combined Entities, which were under common control of the former shareholder Advent Vision S.à r.l., as predecessor to the Company, for the periods indicated:

	Twelve month period ended January 31, 2013	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011 (pro forma)*	*Fiscal year ended April 30, 2010 (combined)*
	(€ in thousands, unless indicated otherwise)					
	(unaudited)	*(unaudited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*
Income Statement Data						
Net revenue	**1,051,501**	**803,180**	**792,033**	**1,040,354**	**938,535**	**789,896**
Cost of materials[1]	(460,106)	(352,013)	(427,448)	(535,541)	(507,111)	(305,589)
Gross profit	**591,395**	**451,167**	**364,585**	**504,813**	**431,424**	**484,307**
Personnel expenses	(204,216)	(154,105)	(140,542)	(190,653)	(171,388)	(144,825)
Lease payments incl. costs for services[2]	(175,268)	(133,365)	(120,999)	(162,902)	(143,013)	(129,547)
Marketing expenses	(41,317)	(31,195)	(47,997)	(58,119)	(58,415)	(52,971)
Other operating expenses / income	(66,102)	(49,231)	(56,494)	(73,365)	(78,719)	(54,563)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(54,833)	(45,734)	(31,944)	(41,043)	(34,864)	(34,686)
Operating result	**49,659**	**37,537**	**(33,391)**	**(21,269)**	**(54,975)**	**67,715**
Financial result	(94,072)	(63,782)	(69,044)	(99,334)	(67,643)	(44,387)
Profit or loss before taxes	**(44,413)**	**(26,245)**	**(102,435)**	**(120,603)**	**(122,618)**	**23,328**
Income taxes	(10,815)	(11,715)	45,373	46,273	33,759	(6,274)
Profit or loss for the period	**(55,228)**	**(37,960)**	**(57,062)**	**(74,330)**	**(88,859)**	**17,054**

	As of January 31, 2013 (unaudited)	*As of April 30, 2012 (audited, unless otherwise indicated)*	*As of April 30, 2011 (audited, unless otherwise indicated)*	*As of April 30, 2010 (audited, unless otherwise indicated) (combined)*
	(€ in thousands, unless otherwise indicated)			
Balance Sheet Data				
Cash and short-term deposits	24,274	55,157	45,742	69,292
Property, plant and equipment	164,744	165,931	161,999	150,773
Total assets	1,524,563	1,602,205	1,619,032	962,222
Financial indebtedness (unaudited)[3]	610,395	636,317	635,043	489,500
Total liabilities	1,235,473	1,268,236	1,212,523	851,302
Total equity	289,090	333,969	406,509	110,920

	Twelve month period ended January 31, 2013	Nine month period ended January 31, 2013	Nine month period ended January 31 2012	Fiscal year ended April 30, 2012	Twelve month period ended April 30, 2011 (pro forma)	Fiscal year ended April 30, 2010 (combined)
	(€ in thousands, unless indicated otherwise)					
	(unaudited)	(unaudited)	(unaudited)	(audited, unless indicated otherwise)	(unaudited)	(audited, unless indicated otherwise)
***Cash Flow Data*[4]**						
Net cash from operating activities	99,710	70,733	17,679	46,656	N/A	105,418
Net cash used in investing activities	(31,033)	(22,177)	(26,213)	(35,069)	N/A	(33,051)
Net cash used in financing activities	(117,287)	(79,360)	35,932	(1,995)	N/A	(51,310)
Other Financial Data						
Gross revenue[5]	1,258,911	961,644	949,910	1,247,177	1,119,500	938,315
Net revenue	1,051,501	803,180	792,033	1,040,354	938,535	789,896
Static like-for-like net revenue (unaudited)[6]	722,970	545,278	579,813	757,505	740,490	674,517
Static like-for-like net revenue growth (unaudited) (%)[6]	(3.8)%	(6.0)%	2.0%	2.3%	9.8%	N/A
Dynamic like-for-like net revenue growth (unaudited) (%)[6]	(3.7)%	(5.9)%	1.6%	2.0%	9.5%	6.4%
Net revenue split by product line (unaudited)[7]						
Women	496,196	376,283	379,484	499,319	444,750	376,572
Men	200,531	161,159	142,382	181,726	159,823	136,059
Children	235,782	175,024	172,064	232,873	208,995	170,164
Accessories	111,778	86,365	92,107	117,551	112,072	94,873
Miscellaneous[8]	7,213	4,348	5,996	8,886	12,894	12,227
External net revenue[9] split by segment						
Germany	676,931	512,195	516,991	681,727	635,038	549,994
Western and Central Europe	165,310	126,762	116,802	155,350	128,949	103,336
Eastern Europe	209,260	164,223	158,240	203,277	174,548	136,566
Adjusted Gross Margin (% net revenue) (unaudited)[10]	57.6%	56.9%	55.7%	56.6%	62.1%	61.2%
Adjusted Gross Profit (unaudited)	605,235	457,217	441,224	589,243	582,822	483,066
Adjusted EBITDA[11]	128,236	97,713	89,935	120,458	163,476	115,383
Adjusted EBITDA by segment						
Germany	102,432	73,866	68,553	97,119	N/A	84,482
Western and Central Europe	9,174	6,075	7,050	10,149	N/A	16,644
Eastern Europe	13,160	12,155	8,489	9,494	N/A	18,706
Reconciliation[12]	3,470	5,617	5,843	3,696	N/A	(4,449)
Adjusted EBITDA Margin (unaudited) (in %)[13]	12.2%	12.2%	11.4%	11.6%	17.4%	14.6%
Adjusted EBITDA margin by segment (unaudited) (in %)[14]						
Germany	15.1%	14.4%	13.3%	14.2%	18.6%	15.4%
Western and Central Europe	5.5%	4.8%	6.0%	6.5%	16.4%	16.1%
Eastern Europe	6.3%	7.4%	5.4%	4.7%	14.8%	13.7%
Lease payments excl. costs for services (unaudited)[15]	(132,412)	(100,166)	(89,304)	(121,550)	(105,955)	(96,645)
Adjusted EBITDAR (unaudited)[16]	260,648	197,879	179,236	242,005	269,431	212,028
Capital expenditures (unaudited)[17]	(30,491)	(21,584)	(26,354)	(35,261)	(38,350)	(33,271)
Selected Operating Data (at end of period, unaudited)						
No. of stores at end of period[18]	1,787	1,787	1,655	1,703	1,559	1,412
Total sales area in square meters at end of period[18]	895,997	895,997	844,332	864,870	807,173	746,990
Gross revenue per square meter during the period (in € per square meter)[19]	1,440	1,093	1,148	1,497	1,438	1,282
Gross store openings during the period[20]	169	117	127	179	177	139
Net store openings during the period[21]	132	84	96	144	147	100

Pro Forma Financial Data

	As of and for the twelve month period ended January 31, 2013 (unaudited)
	(€ in millions, unless indicated otherwise)
Cash and short term deposits, as adjusted for the Offering and the Refinancing	31.6
Net debt, as adjusted for the Offering and the Refinancing[22]	539.6
Net Senior Secured Debt, as adjusted for the Offering and the Refinancing[23]	498.4
Adjusted EBITDA	128.2
Ratio of as adjusted net debt to Adjusted EBITDA	4.2x
Ratio of as adjusted net senior secured debt to Adjusted EBITDA	3.9x

1 Cost of materials includes inventory effects from the PPA in an amount of *pro forma* €151.5 million in the twelve month period ended April 30, 2011, historical €69.0 million in fiscal year 2012, historical €69.0 million in the nine month period ended January 31, 2012, historical zero in the nine month period ended January 31, 2013 and historical zero in the twelve month period ended January 31, 2013. These effects represent for the twelve month period ended April 30, 2011 the amortization of the step-up of inventories due to the PPA on a *pro forma* basis, as if the structure of the Group had existed as created by the Acquisition throughout the entire period from May 1, 2010 to April 30, 2011, and had no cash impact. The twelve month period ended April 30, 2011 included the *pro forma* full step-up of inventories due to the PPA triggered by the Acquisition. A part of the stepped-up inventory was actually not yet sold as of April 30, 2011. The continuing amortization of the step-up value affected the cost of materials for fiscal year 2012. See "Management's Discussion and Analysis of Our Financial Condition and Results of Operations—Results of Operations—Cost of Materials," as well as footnote 10 below.

2 Costs for services include costs for electricity, water, gas, heating, store cleaning, cost allocations to hypermarkets and shopping malls, waste disposal costs and certain other costs.

3 Financial indebtedness includes non-current and current liabilities to bank plus financial liabilities from finance leases. The following table shows the calculation of financial indebtedness for the balance sheet dates indicated:

Financial Indebtedness

	As of January 31, 2013	*As of April 30, 2012*	*As of April 30, 2011*	*As of April 30, 2010 (combined)*
	(unaudited)	*(audited, unless otherwise indicated)*	*(audited, unless otherwise indicated)*	*(audited, unless otherwise indicated)*
Non-current liabilities to bank	529,633	537,953	558,390	435,858
Current liabilities to bank	39,603	57,020	31,808	5,410
Non-current financial liabilities from finance lease	29,587	29,257	30,374	34,394
Current financial liabilities from finance lease	11,572	12,087	14,471	13,838
Financial Indebtedness (unaudited)	**610,395**	**636,317**	**635,043**	**489,500**

4 Cash flow data is not available on a *pro forma* basis for the twelve month period ended April 30, 2011.

5 Gross revenue consists of net revenue from the sale of goods plus value added tax (VAT) and is disclosed in our Unaudited 2013 Interim Consolidated Financial Statements, 2011 Consolidated Financial Statements, 2012 Consolidated Financial Statements and 2010 Combined Financial Statement as "external revenue (gross)" or "external revenue (incl. VAT)."

6 Static like-for-like ("LfL") net revenue consists of net revenue at stores based on a static portfolio of stores all opened before or as of May 1, 2009 and not closed before February 1, 2013, excluding stores sub-leased, stores operated by cooperation partners and stores used only as outlet stores for out-of-season inventory, as well as commission revenues from "bee line" products. For purposes of calculating the static LfL net revenue, our combined net revenue for the period from May 1, 2010 to February 8, 2011 and our consolidated net revenue for the period from February 8, 2011 to April 30, 2011 for such static portfolio of stores have been aggregated for the twelve month period ended April 30, 2011. Static LfL net revenue growth in fiscal year 2010 is not available, due to the fact that the static approach is based on our portfolio of stores as of May 1, 2009. Dynamic LfL net revenue growth in fiscal year 2010 was 6.4%.

Dynamic like-for-like net revenue growth is a comparison between two periods based on stores, which are open during the entire previous comparative period and the entire respective reporting period. This leads to a growing dynamic like-for-like portfolio over time. For purposes of calculating the dynamic LfL net revenue growth, our combined net revenue for the period from May 1, 2010 to February 8, 2011 and our consolidated net revenue for the period from February 8, 2011 to April 30, 2011 have been aggregated for the twelve month period ended April 30, 2011. As opposed to dynamic like-for-like net revenue growth, the static approach uses the same set of stores across all relevant periods, allowing for a more transparent comparison across periods.

The Company believes that static and dynamic LfL net revenue are useful performance measures. Static and dynamic LfL net revenue are not recognized as a measure under IFRS, but has been derived from our internal reporting system. Therefore, LfL net revenue should be viewed as supplemental to, but not as a substitute for, income statement or cash flow statement data determined in accordance with IFRS. Because not all companies define this measure in the same way, LfL net revenue as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies.

7 The net revenue split by product line is derived from our inventory management system. It has not been derived from our Unaudited 2013 Interim Financial Consolidated Statements, 2011 Consolidated Financial Statements, 2012 Consolidated Financial Statements and 2010 Combined Financial Statements and is not a measure under IFRS.

8 Includes, *inter alia*, certain commission income, revenue from merchandise related to carnival, and revenue from shopping bags.

9 External net revenue consists of net revenue excluding net revenue generated through deliveries among Group entities (so-called internal net revenue).

10 Adjusted gross margin consists of adjusted gross profit as a percentage of net revenue and is adjusted for inventory effects from the PPA in an amount of *pro forma* €151.5 million in the twelve month period ended April 30, 2011, historical €69.0 million in fiscal year 2012, historical €69.0 million in the nine month period ended January 31, 2012, historical zero in the nine month period ended January 31, 2013 and historical zero in the twelve month period ended January 31, 2013. In addition, adjustments as described in footnote 11 relate to revaluation of inventories in an amount of €15.5 million in fiscal year 2012, €7.7 million in the nine month period ended January 31, 2012, €6.1 million in the nine month period ended January 31, 2013 and €13.8 million in the twelve month period ended January 31, 2013. The Company believes that adjusted gross margin is a useful performance measure. However, adjusted gross margin is not recognized as a measure under IFRS, but has been derived from our combined or consolidated income statements for the periods indicated. Therefore, adjusted gross margin should be viewed as supplemental to, but not as a substitute for, income statement or statement of cash flows data determined in accordance with IFRS. Because not all companies define this measure in the same way, adjusted gross margin as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies.

11 Adjusted EBITDA is defined as EBITDA adjusted for extraordinary effects, inventory revaluations and reclassifications. EBITDA is defined as profit or loss before income taxes plus financial result as well as depreciation, amortization and impairment of property, plant and equipment and intangible assets. EBITDA is not recognized as a measure under IFRS, but has been derived from our *pro forma* consolidated income statement and consolidated or combined income statements for the periods indicated.

Reclassifications primarily relate to the handling and financing expenses for letters of credit which we regularly use in connection with sourcing of merchandise from Asia and unrealized gains and losses from currency fluctuations.

In fiscal year 2010, extraordinary effects mainly included extraordinary store expenses in the form of allocations to and reversal of provisions for potential store closures as well as expenses in connection with the store refurbishing project and organizational restructuring costs.

In the twelve month period ended April 30, 2011, extraordinary effects mainly included extraordinary store expenses in the form of allocations to and reversal of provisions for potential store closures as well as expenses in connection with the store refurbishing project and inventory effects from the PPA according to IFRS in connection with the Acquisition of our business by funds advised by Apax in February 2011, as the valuation exercise associated with the acquisition required us to step up the value of our inventories as recorded on our balance sheet to reflect the fair value at prevailing sales prices rather than their historical cost. Further, the twelve month period ended April 30, 2011 included extraordinary transaction costs in connection with the acquisition of our business by funds advised by Apax in February 2011. The transaction costs mainly comprise advisor fees and consultancy costs for, among others, M&A advisors, legal and tax advisors as well as due diligence support.

In fiscal year 2012, EBITDA adjustments included inventory effects from the revaluation of inventory and extraordinary effects from the PPA according to IFRS in connection with the Acquisition of our business by funds advised by Apax in February 2011, as the valuation exercise associated with the Acquisition required us to step up the value of our inventories as recorded on our balance sheet to reflect the fair value at prevailing sales prices rather than their historical cost.

The Company believes that Adjusted EBITDA is a useful performance measure. However, Adjusted EBITDA is not recognized as a measure under IFRS. Therefore, Adjusted EBITDA should be viewed as supplemental to, but not as a substitute for, “profit or loss before tax,” “profit or loss for the period,” or “net cash provided by or used in operating activities” or for other income statement or cash flow statement data determined in accordance with IFRS. Because not all companies define this measure in the same way, Adjusted EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. In addition, we are likely to incur expenses similar to the adjustments in this presentation in the future and certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

The reconciliation of EBITDA and Adjusted EBITDA for the periods indicated is as follows:

Reconciliation of EBT to EBITDA and Adjusted EBITDA	*Twelve month period ended January 31, 2013*	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011 (pro forma)*	*Fiscal year ended April 30, 2010 (combined)*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*
	(€ in thousands, unless otherwise indicated)					
Profit or loss before taxes (EBT)	**(44,413)**	**(26,245)**	**(102,435)**	**(120,603)**	**(122,618)**	**23,328**
Financial result	94,072	63,782	69,044	99,334	67,643	44,386
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	54,833	45,734	31,944	41,043	34,864	34,686
EBITDA	**104,492**	**83,271**	**(1,447)**	**19,774**	**(20,111)**	**102,400**
Adjustments relating to financial result[(a)]	8,410	6,389	7,166	9,187	8,378	2,732
Extraordinary store expenses[(b)]	(358)	726	2,707	1,623	5,078	13,493
Normalization of provision release[(c)]	—	—	—	—	(117)	(1,241)
Losses (gains) arising on revaluation of inventories[(d)]	13,840	6,050	7,678	15,468	—	—
Inventory effects from PPA[(e)]	—	—	68,961	68,961	151,515	—
Transaction costs[(f)]	391	31	2,656	3,016	18,720	—
Other non-operating loss / (profit)[(g)]	1,461	1,246	2,214	2,429	13	(2,001)
Adjusted EBITDA	**128,236**	**97,713**	**89,935**	**120,458**	**163,476**	**115,383**

(a) Adjustments relating to financial result primarily relate to the handling and financing expenses for letters of credit (which we regularly use in connection with sourcing of merchandise from Asia), which are reclassified as interest expense. These financial expenses are shown as “other operating expenses” in our consolidated or combined income statements.

(b) Extraordinary store expenses which we regard as non-recurring store expenses, mainly consist of expenses relating to the store refurbishment project and of allocations to and reversal of provisions for potential future losses of non performing stores. These stores are actively monitored for potential restructurings (such as early termination of leases, subletting etc.). In addition, we eliminated start-up costs related to market entries in new countries, in particular costs for the initial formation of the legal entity and the implementation of the corporate structures necessary under applicable local law. Also, we have eliminated the costs for scrapping of store equipment from Adjusted EBITDA as these costs are similar to depreciation charges in economic terms. In our consolidated or combined income statements, these costs are reflected in other operating expenses. This item is shown as “Normalized expenses for store restructuring” in our Unaudited 2013 Interim Consolidated Financial Statements and 2012 Consolidated Financial Statements.

(c) As an extraordinary effect in fiscal year 2010, we partially reversed a write-down on inventories related to denim products and other trousers, as the original write-down proved to be too conservative. This write-down was recognized solely in connection with a jeans re-launch campaign in the summer of 2009. The normalization solely reflects the provision release relating to this write-down and is shown as “Reversal of inventory provisions” in our 2010 Combined Financial Statements.

(d) Losses (gains) arising on revaluation of inventories reflect gains or losses arising from the revaluation of our inventories and resulting provisions. Management makes this adjustment in monitoring the performance of the business because it has no cash impact and does not affect actual sourcing costs and therefore management believes including this adjustment gives a better view of the operating performance of and cash flow generation by the business. In addition, we currently report our financial performance to our existing investors with this adjustment and management therefore believes that this is a metric that investors find useful in assessing the performance of the business. Due to a change in our presentation of Adjusted EBITDA during fiscal year 2012, Adjusted EBITDA for the twelve month period ended April 30, 2011 and the fiscal year ended April 30, 2010 do not include any such adjustments for revaluations of inventory. The change in our presentation of Adjusted EBITDA during fiscal year 2012 was related to changes in our internal reporting, as well as changes in our external reporting under the Existing Senior Credit Facilities. According to our internal estimates the effect of revaluation of inventories for the twelve month period ended April 30, 2011 would have resulted in a slightly positive contribution to Adjusted EBITDA and, for the fiscal year ended April 30, 2010, in an Adjusted EBITDA contribution of less than €10 million. This item is shown as “Revaluation of inventories” in our Unaudited 2013 Interim Consolidated Financial Statements and 2012 Consolidated Financial Statements.

(e) Inventory effects from PPA for the twelve month period ended April 30, 2011, for fiscal year 2012 and for the nine month period ended January 31, 2012 represents the amortization of the step-up of inventories due to the PPA attributable to the Acquisition by funds advised by Apax. Due to the *pro forma* assumptions, the twelve month period ended April 30, 2011 includes the amortization of the full step-up of inventories due to the PPA triggered by the Acquisition. In fact, a part of the stepped-up inventory was not yet sold as of April 30, 2011. The continuing amortization of the step-up value affected the cost of materials for fiscal year 2012. The amortization of the step-up of inventories due to the PPA has no cash impact. PPA effects deriving from the Acquisition no longer affect the current fiscal year, and will not affect future periods.

(f) We incurred extraordinary transaction costs in connection with the Acquisition of our business by funds advised by Apax in February 2011. The transaction costs mainly comprise advisor fees and consultancy costs for, among others, M&A advisors, legal and tax advisors as well as due diligence support. We also incurred transaction costs in relation to a proposed refinancing in the summer of 2011 and an amendment and waiver in January 2012.

(g) Other non-operating loss (profit) includes severance payments and other items of a non-recurring nature, as well as unrealized foreign currency exchange gains or losses.

12 Reconciliation includes foreign exchange gains or losses, intercompany charges, interest charge on cost of goods sold as well as capitalization of incidental sourcing costs.
13 Adjusted EBITDA Margin consists of Adjusted EBITDA as a percentage of net revenue.
14 Adjusted EBITDA margin by segment consists of Adjusted EBITDA by segment as a percentage of external net revenue by segment. These figures exclude transfer pricing charges from Takko Holding GmbH to those legal entities achieving an EBIT margin above 5.5%, but include certain other intercompany charges. See footnote 12 above.
15 Lease payments excluding costs for services consist primarily of rental expenses for stores, logistical centers and offices, excluding the costs referred to in footnote 2 above as well as finance leases.
16 Adjusted EBITDAR consists of Adjusted EBITDA adjusted for lease payments excluding costs for services. The Company believes that Adjusted EBITDAR is a useful performance measure. However, Adjusted EBITDAR is not recognized as a measure under IFRS. Therefore, Adjusted EBITDAR should be viewed as supplemental to, but not as a substitute for, "profit or loss before tax," "profit or loss for the period," or "net cash provided by or used in operating activities" or for other income statement or cash flow statement data determined in accordance with IFRS. Because not all companies define this measure in the same way, Adjusted EBITDAR as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. We are likely to incur similar expenses in the future and certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDAR should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.
17 Capital expenditures consist of the sum of (i) purchase of property, plant and equipment, (ii) purchase of intangible assets and (iii) acquisition of subsidiaries net of cash acquired (other than the Acquisition). The following table shows our capital expenditures for the periods indicated:

Capital Expenditures	*Twelve month period ended January 31, 2013*	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011 (pro forma)*	*Fiscal year ended April 30, 2010 (combined)*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(audited, unless otherwise indicated)*	*(unaudited)*	*(audited, unless otherwise indicated)*
	(€ in thousands, unless otherwise indicated)					
Purchase of property, plant and equipment	27,540	19,687	23,697	31,550	N/A	31,539
Purchase of intangible assets	2,951	1,897	2,657	3,711	N/A	1,732
Capital Expenditures (unaudited)	30,491	21,584	26,354	35,261	38,350	33,271

Due to the Acquisition in February 2011, our consolidated statement of cash flows for the short fiscal year 2011 only comprises the period from December 7, 2010 to April 30, 2011. Thus, purchase of property, plant and equipment and purchase of intangibles were not available.
18 The number of stores and total sales area in square meters are derived from our internal reporting system. They are not measures under IFRS.
19 Gross revenue per square meter consists of gross revenue for the period divided by square meter of stores open for the full period and is derived from our inventory management system in combination with store data from our internal reporting system. It is not a measure under IFRS.
20 Total number of stores opened during the period. Including 18 stores in Slovenia, Lithuania and Estonia which we acquired from a cooperation partner in fiscal year 2010.
21 Total number of stores opened during the period (including 18 stores in Slovenia, Lithuania and Estonia which we acquired from a cooperation partner in fiscal year 2010), less the number of stores closed during the period.
22 Net debt, as adjusted for the Offering and the Refinancing consists of financial indebtedness excluding unamortized debt issuance costs (as adjusted to give effect to the Offering and the Refinancing) less cash and short term deposits. Total debt does not give effect to any outstanding letters of credit. As of January 31, 2013, we had €117.0 million of letters of credit outstanding. As of January 31, 2013, all payments made by the issuing bank under documentary letters of credit issued under the existing letter of credit facility had been directly funded with our existing cash positions, so that there was no financial indebtedness to be reflected above with respect to such letter of credit facility.
23 Net senior secured debt, as adjusted for the Offering and the Refinancing consists of senior secured debt excluding financial liabilities from finance leases (as adjusted to give effect to the Offering and the Refinancing) less cash and short term deposits.

RISK FACTORS

You should carefully consider the risks described below as well as the other information contained in this offering memorandum before making an investment decision. Any of the following risks could materially adversely affect our business, financial condition or results of operations, and as a result you may lose all or part of your original investment. 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 or results of operations.

This offering memorandum contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward looking statements. Factors that might cause such differences are discussed below and elsewhere in this offering memorandum. See "Forward Looking Statements."

Risks Related to the Market and the Group

The competition in the markets in which we operate is fierce and may intensify further, which could significantly impact our potential for profit and growth.

We operate in the value fashion segment of the European apparel retail market. In our view, the value fashion market segment is comprised of retailers that adopt a low price, high volume and an attractive shopping experience strategy as the main driver of their business. In our core markets in Germany, Western and Central Europe, as well as Eastern Europe, we face fierce competition. In these markets, we compete primarily with other large value fashion retail chains such as C&A, Ernsting's Family and New Yorker. In addition, large retailers in the discount market segment like KiK or in the low-mainstream market segment like H&M may enter or compete with the value fashion market segment, given their existing economies of scale which may enable them to market value fashion apparel at competitive prices. Furthermore, international value fashion retailers currently operating in other geographic markets than us may enter markets in which we are present. For example, in 2009 the Irish value fashion retailer Primark entered the German apparel retail market and currently has ten stores in Germany. Moreover, our competitors also include catalog and online retailers and department store chains as well as supermarkets and food discounters selling value fashion products or textiles in general for women, men and children. Some of our competitors may have substantially greater financial, distribution, marketing and other resources than us or may be able to adopt more aggressive pricing policies due to cost savings resulting from more efficient sourcing, supply chain management, distribution or sale of products, or to adapt to changes in customer preferences or consumer-spending behavior more quickly or to generate greater national brand recognition than us. Particularly in Germany, competition in the value fashion market segment is characterized by intense pressure on prices. In the future, the existing price pressure may increase due to, among other things, a decreasing demand for value fashion, new competitors entering the market or existing competitors intensifying their marketing efforts to attract new customers and increase their market share. To compete effectively, we may be forced to reduce prices and increase marketing expenditures, which may have an adverse effect on our overall net revenue and profitability and result in a loss of market share. Furthermore, our plans to expand our business operations into new European markets or improve our performance within current markets may be adversely affected by strong competition. For example, some of our competitors may already have long established brands and operations in these markets, which may put them at a competitive advantage. Further increases in competition, whether due to the aforementioned factors or other factors, could therefore have a material adverse effect on our net assets, financial condition and results of operations as well as our future growth.

Unfavorable economic conditions in our domestic or foreign markets may result in a decline in the demand for our products and could have a material adverse effect on our net revenue, growth and profitability.

Demand for our merchandise could be adversely affected by unfavorable economic conditions and their impact on consumer-spending behavior. Despite recent signs of recovery, the outlook for the world economy remains uncertain. General market volatility has resulted from uncertainty about sovereign debt and fear that the governments of countries such as Greece, Portugal, Ireland, Spain and Italy will default on their financial obligations. In addition, continued hostilities in the Middle East and ongoing tensions in North Africa could adversely affect the economies of the EU, the U.S. and other countries. Consumer purchases of discretionary items such as apparel and accessories generally decline in an unfavorable economic environment, especially when disposable income and consumer confidence has decreased. In fiscal year 2012 for example, weaker than expected consumer sentiment (along with other macro and micro economic trends) forced us to launch additional promotional activities in order to sell down excess inventory. Some of the economic factors influencing

consumer spending include levels of unemployment, inflation or deflation, real disposable income, VAT increases (such as the VAT increase in the Netherlands in October 2012), interest rates, the availability of consumer credit, and consumer perception of the overall economic conditions and their own economic prospects, all of which are factors beyond our control. Unfavorable economic conditions, an economic downturn, and uncertain economic outlook in one or more of the principal markets in which we operate, or will operate in the future, or changes on a global scale could therefore adversely affect our net revenue, growth and profitability and could have a material adverse effect on our business, financial condition and results of operations.

In the nine month period ended January 31, 2013, we generated approximately 63.8% of our total net revenue in Germany, our most important market. Unfavorable economic conditions in Germany and a decline in the demand for our products in Germany could therefore have a particularly negative impact on our net revenue, growth and profitability. Moreover, as long as we generate most of our net revenue in Germany, we may be unable to compensate for a decline in demand in Germany by focusing on growth in other European markets.

If we fail to meet the fashion tastes of our target customer groups or to identify and respond to changing fashion trends and product demand in a timely manner, our net revenue will likely decrease.

Our success depends on our ability to develop collections that meet the fashion tastes and product demand of our target customer groups and to competitively price our products. The apparel industry is generally characterized by rapidly changing customer preferences and quickly emerging and dissipating fashion trends. We produce several collections for different target groups every year. For example, we generally launch a new collection at the beginning of spring in each year, and our results in the months of March and April have a significant impact on our full fiscal year results. Although we seek to follow existing fashion trends, customer demand and market a number of basic items, our target customer groups may not find our new collections appealing. This may be due to, among other things, our misjudgment of fashion trends. We may also fail to promptly identify a trend and therefore react to it too slowly. We typically place orders with manufacturers up to twelve months prior to the initial sale date, and therefore may not be able to adjust our collections to changes in customer preferences.

Furthermore, given our strong geographical diversification and our presence in 16 different countries, our collections may meet the fashion tastes of customer groups in certain countries, but fail to meet the fashion tastes of customers in certain other countries. In addition, the performance of our various product lines may vary based on local market dynamics.

If new collections fail to meet target customer group's expectations and preferences, we will experience lower sales, excess inventories, higher mark-downs, write-offs of unsold merchandise and decreased profits which could have a material adverse effect on our business, financial condition and results of operations.

Our strategy to expand our store base and enter into new markets may fail or advance at a slower pace than planned.

We intend to expand into new markets by opening new stores, both in Germany and other European markets. In the nine month period ended January 31, 2013, we expanded our store base by 84 stores net. In the medium term, we plan to continue to implement an ambitious expansion strategy. Furthermore, we opened our first stores in Italy in 2010, in Serbia in 2011, and recently established a joint venture with a view towards opening new stores in Russia during the course of 2013. We also intend to enter into new international markets in the future.

We may not be able to implement our expansion strategy successfully and at the envisaged pace in the future as the number of potential suitable locations for expansion decreases. If we fail to identify and lease attractive store locations on acceptable terms, to attract and hire skilled sales staff, to implement the required infrastructure or to raise the required funds, our expansion plans may be jeopardized and the intended consolidation or increase of our market share may fail to materialize. The success of new stores may also be affected if we fail to correctly estimate customer demand in the local market or are unable to successfully establish our brand. This risk is relatively higher in new international markets where our lack of experience may make it more difficult to assess customer demands. Furthermore, we may not be able to efficiently incorporate new subsidiaries or locations into our existing organization and logistics or may struggle with local regulatory issues. In relation to our recently established joint venture in Russia, we may experience difficulties, delays or additional expenses in the implementation of our plan to open new stores, or may in the future disagree with our joint venture partners as to strategic decisions or funding requirements concerning the business.

If our expansion strategy is not successful or advances at a slower pace than planned, our competitive position and our profitability and growth may be negatively affected, which would have a material adverse effect on our net assets, financial condition and results of operations.

The expansion of our 1982 store format, the in-sourcing of the sale of fashion jewelry, or new business models we are currently introducing may be delayed or fail or cost more than anticipated.

We are currently expanding our "1982" store format introduced in 2009, which is characterized by more emphasis on basics and a more attractive price perception compared to our classic Takko format as well as stores situated in high pedestrian footfall locations. The expansion of the "1982" store format may be delayed or fail. This may be due to, for example, our inability to identify and lease suitable store locations on acceptable terms. Furthermore, the expansion may cost more or generate lower sales than anticipated. The implementation of the expansion plans may also divert management's attention from other aspects of our business. Our failure to expand the "1982" store format may have an adverse effect on our financial condition and results of operations.

Until the current fiscal year, a certain proportion of the sales of fashion jewelry in our stores were made by our "bee line" business partners, generating sales commission for us. We have terminated the agreement with this partner, and are in the process of in-sourcing the sale of all fashion jewelry in the future. The implementation of this in-sourcing process may be delayed or fail, or may cost more or generate lower sales than anticipated. Our failure to in-source the sale of fashion jewelry may have an adverse effect on our financial condition and results of operations.

New business models will lead to additional financial and operational risks.

We are contemplating the introduction of new business models, such as e-commerce, in the future, the success of which will depend on a number of factors including, in the case of e-commerce, building or acquiring an appropriate platform and attracting customers. We may not be able to successfully introduce these new business models. In particular, building or acquiring an appropriate e-commerce platform may prove challenging and we may experience technical difficulties, delays or incur significant costs during the process. Our failure to successfully introduce new business models may have an adverse effect on our net assets, financial condition and results of operations.

If we are successful in launching an e-commerce platform we will face high competition, as barriers to entry for e-commerce providers are generally low, and current and new competitors can launch new websites at a relatively low cost. More generally, as a result of competition from e-commerce providers, we may experience pricing pressures and loss of market share, which could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to manage our growing geographically diversified business activities.

We are pursuing a growth strategy both nationally and internationally, which typically entails the formation of new subsidiaries in the new geographic markets we enter into. Developing and refining the appropriate internal management, organizational compliance and risk monitoring structures required for this growth and the increasingly complex group structure places high demands on us and our management. Our growth requires more staffing in these areas as well as refined organizational structures. The expected growth rates also require improvements in internal risk management structures, especially IT, financial controls, risk management and information systems. Delays in adapting the organizational and control structures, risk monitoring and risk management systems and in reaching an appropriate level of staffing may result in business and administrative oversights and errors which may also lead to higher operating expenses. The delays may also make it more difficult to identify and manage risks, trends and errors on a timely basis and to ensure compliance with applicable laws, regulations and standards on a group-wide basis. These risks could, individually or cumulatively, have a material adverse effect on our business, net assets, financial condition and results of operations.

Our reputation may suffer following public criticism of companies in the value or discount segment of the retail industry for their human resources policies or practices.

In the recent past, the human resources policies and practices of companies in the value or discount segment of the retail industry have repeatedly been criticized by the media and by NGOs in Germany and in other markets as well. The criticism has focused primarily on violations of labor or data protection laws due to, among other

things, employee monitoring. As a result, the public is highly sensitive towards working conditions and wage policies of retailers in the low-wages labor market. We may attract public criticism solely based on our affiliation with this market segment. Although we are currently planning on establishing a supervisory board at Takko Fashion Austria GmbH, no co-determined supervisory board or works council is established at the level of Takko Holding GmbH, Takko Fashion GmbH (as required under the relevant provisions of the German co-determination law) or any other Group entity. This situation may attract public criticism and as a result we may experience a decline in demand for our products or experience other material adverse effects on our business, financial condition and results of operations.

The public perception and reputation of Takko and our brands could be damaged if manufacturers of our products fail to comply with our code of supplier conduct or applicable labor laws or recognized ethical standards or other applicable laws, or if the public develops an impression that such violations are occurring.

Our products are manufactured mainly in China, India, Bangladesh and Sri Lanka. The working conditions and social standards of employees in these countries historically have been and continue to be subject to criticism from non-governmental organizations, such as the International Labor Organization ("ILO"). We take various steps to ensure that manufacturers commissioned by us comply with applicable labor and social laws, acceptable social standards and ILO conventions on production and manufacturers. In particular, we require manufacturers to adhere to our code of supplier conduct, and both Takko as well as third parties auditors conduct regular as well as random and unannounced local site visits. Nonetheless, from time to time contractors may not be in compliance with our code of supplier conduct or local labor law or recognized ethical standards. For example, in 2012 we learned from an article in the magazine "Der Spiegel" that a supplier from which we had indirectly sourced certain items, had utilized Chinese prison labor during the manufacturing process of some of our products. If and when we learn of a violation, depending on the magnitude, we either caution the supplier or discontinue the business relationship. If it emerges that manufacturers of our products have not complied with our code of supplier conduct or applicable labor laws or recognized ethical standards, the public perception and reputation of us and our brands could suffer, possibly damaging customer relationships and causing a considerable drop in sales. In addition, changing a manufacturer following discovery of a violation could result in additional costs and supply shortages or disruptions. Any of these risks may have a material adverse effect on our net assets, financial condition and results of operations.

We are exposed to the risk of rising labor costs.

In Germany in particular and in other markets as well, we are exposed to the risk that statutory minimum wages applying to our employees could be established by legislation. In contrast to many other European countries, there is no general statutory minimum wage in Germany (though a collectively agreed minimum wage may apply to companies covered by a collective agreement). The introduction of a statutory minimum wage has been the subject of public debate in Germany for many years. There can be no guarantee that a general statutory minimum wage or special statutory minimum wages for specific industries or labor segments, for example for temporary employees (*Zeitarbeitnehmer*), will not be introduced in the future. If a statutory minimum wage applying to our employees is established by legislation and such minimum wage exceeds the wages currently paid by us, we would have to increase the wages of parts of our workforce. In addition, we are currently not a member of an employers' association in Germany or in other markets and, except in Austria, Belgium, Italy and the Netherlands are not bound by any collective agreements regulating the wage level for employees. Should a collective agreement become applicable to a larger number of our employees in the future, for example, due to a statement of general application (*Allgemeinverbindlicherklärung*) by the Federal Ministry of Labor and Social Affairs, the wages for parts of our workforce will have to be increased. We may also be forced to raise wages due to pressure exerted by trade unions or general wage increases across the industry. Since, as a market participant in the value fashion segment of the apparel retail market, we face fierce price competition, wage increases and the associated rise in labor costs would negatively affect our profitability. Furthermore, labor costs may increase indirectly due to the application of complex collective labor laws (*Betriebsverfassungsrecht*) and the establishment of works councils (*Betriebsräte*) as members of works councils may be exempt from their work duties at full pay. In addition, it is possible that labor costs may rise due to an increase in labor-related litigation, such as in connection with employments being terminated or claims arising from continuous remuneration (*Entgeltfortzahlung*) or overtime compensation (*Überstundenvergütung*) schemes. An increase in labor costs may have a material adverse effect on our net assets, financial condition and results of operations.

The sourcing of our merchandise could become more expensive due to inflation and other factors affecting production costs, including raw materials such as cotton and wage inflation.

We face the risk that the sourcing of our merchandise could become more expensive. The raw materials used to manufacture our products are subject to availability constraints and price volatility caused by factors such as the high demand for fabrics, weather, supply conditions, government regulations and other unpredictable factors. Increases in the price of raw materials lead to an increase in sourcing costs. For example, a significant proportion of our merchandise is made from cotton which saw a strong price increase during 2010 and 2011.

We source our products mainly from Asia, particularly China, India, Bangladesh and Sri Lanka. Other factors that may affect production costs include changes in the regulatory environment and rising wages in these countries. For example, wage rates in China have been steadily increasing, resulting in higher sourcing costs for us. Furthermore, a general increase in the demand for apparel could lead to higher manufacturing prices. Other factors which influence sourcing costs include the costs of transportation, customs regulations, quality requirements, energy prices and currency exchange rates.

An increase in sourcing costs may have an impact on our profitability margins if we do not increase the prices of our products proportionally. If we pass the increase in sourcing costs on to our customers by raising the prices of our products, the demand for our products may decline. Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Sourcing of our merchandise could be delayed or not be possible at all.

We do not own or operate any manufacturing facilities and therefore depend entirely upon independent third parties for the manufacturing of our products. Furthermore, we have no long-term merchandise supply contracts. Instead, our sourcing is based on an order-by-order concept and suppliers are changed from time to time as considered necessary or appropriate, in particular with regard to quality and prices. In the nine month period ended January 31, 2013, we sourced our merchandise from approximately 190 manufacturers including approximately 40 vertical partners, i.e. wholesale vendors, with no single manufacturer or partner accounting for more than 13% of our merchandise. If we experience increases in demand or the need to replace an existing supplier, there can be no assurance that additional manufacturing capacity will be available when required on terms that are acceptable to us. In addition, even if we were able to expand existing manufacturing sources or find new ones, we may encounter delays in production and added costs as a result of the time it would take to train our manufacturers in our methods, products, quality control standards, labor, health and safety standards. There is also a risk that the production by one or more manufacturers could be suspended or delayed, temporarily or permanently, due to economic or technical problems such as the insolvency of the manufacturer, the failure of the manufacturing facilities or disruption of the production process, all of which are beyond our control. Any delay or interruption in the sourcing of our products could negatively affect our ability to meet consumer demand and have a material adverse effect on our business, net assets, financial condition and results of operations.

We are exposed to political and other business risks in our Asian sourcing markets and in our European distribution markets.

We source our products mainly from Asia, particularly China, India, Bangladesh and Sri Lanka. In these countries, our sourcing operations may be negatively affected by political, economic and financial instability, labor disputes and social conflicts, health concerns, adverse weather conditions, natural disasters such as floods and earthquakes, or acts of war or terrorism and other factors or developments beyond our control. These factors could require us to modify our current business practices or to incur increased sourcing costs. Imports from these countries could also be significantly affected by trade restrictions, the introduction of import quotas for textiles and apparel, increased tariffs and stricter customs regulations. In addition, our sourcing of merchandise could be delayed or interrupted due to port strikes, infrastructure congestion, embargoes, trade or import/export restrictions or other factors.

Moreover, there is a risk that our suppliers and vendors could respond to any decrease in or any concern with respect to our liquidity or financial results by requiring more stringent payment terms, such as standby letters of credit, earlier or advance payment of invoices, payment upon delivery or other assurances or credit support, all of which could have a material adverse effect on our financial condition and results of operations. One or more of our suppliers may slow or cease shipments or require or condition their sale or shipment of merchandise on more stringent payment terms. If these events were to occur and we did not or were not able to adequately respond, it could materially disrupt our supply of merchandise. Any such developments could increase our costs of sales and adversely affect our profit margins.

Currently, we market our products in 16 European countries. Therefore, we are subject to economic, political and legal risks generally associated with doing business abroad. General conditions such as infrastructure, product transport conditions and skilled labor may deteriorate or not develop adequately. In particular in some Eastern European countries, we face political and economic uncertainties, difficult and uncertain regulatory environments and less developed legal and governmental systems in comparison to Western and Central European countries, which may adversely affect our foreign business activities and growth opportunities.

Any of the foregoing factors could have a material adverse effect on our business, financial condition and results of operations.

The delivery of our merchandise could be delayed, not be possible at all or could become more expensive.

Our merchandise sourced from Asia is mainly shipped by sea to Hamburg, Germany. We face the risk that the delivery of our products could be delayed or fail due to transportation problems, such as technical problems, the inability of the supplier to meet our delivery obligations, natural events like storms or attacks by pirates or terrorists. If such a delay or interruption of delivery were to occur, we may not be able to meet consumer demand which may result in fewer sales. In addition, we may not even be able to assert compensation claims against the supplier or shipping service provider because, according to the usual delivery terms, the risk of loss of or damage to the goods as well as additional costs occurring after the time of delivery are transferred to us at the port of shipment in Asia.

Following arrival in Hamburg the goods are transported by trucks to our distribution centers. Transportation from storage in Hamburg’s port to our distribution centers could be delayed due to adverse weather conditions, delays in customs inspections or other factors beyond our control. In addition, the operation of a distribution center may suffer disruption or break down due to extraordinary events such as an electricity cut, natural disasters, outbreak of fire or strikes. In this case, we may not be able to distribute merchandise to our stores that are supplied by the affected distribution center. The transportation from Hamburg to the distribution centers is mainly outsourced to several trucking companies which may experience delays in transporting the goods or fail to meet their contractual obligations as a consequence of natural disasters, a bottleneck of staff or equipment, insolvency or other factors. In addition, delivery from Asia to Hamburg as well as from Hamburg to the distribution centers could become more expensive due to increasing oil and gasoline prices, rising toll fees or wage levels for employees of the shipping service providers or increasing demand for shipping containers and shipping services resulting in higher fees, all of which are beyond our control.

Any delay or interruption of the delivery of our products could negatively affect our ability to meet consumer demand. Any increase in shipping costs may impact our profitability margins if we do not increase the prices of our products which may negatively affect the demand for our products. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Product defects may cause supply shortages, expose us to claims for damages and to administrative sanctions and damage the public perception of our brands.

We do not manufacture our products, but instead source them from various third-party foreign manufacturers who produce the merchandise according to our specifications. We therefore depend on these manufacturers to ensure that our products comply with relevant specifications and quality standards. If a defect is identified during quality controls conducted by us, we will not accept delivery of the relevant product. In this case, we may be unable to replace the rejected merchandise in a timely manner, which may result in supply shortages and a decline of our sales. In addition, there is the risk that our quality control procedures may not detect all defects, if any, in the merchandise that we receive. If we sell merchandise that does not meet our quality standards, we could be exposed to warranty claims and claims for damages by customers. In addition, by offering products that are defective, for example due to the use of harmful substances, raw materials or chemicals, we could violate applicable health, safety or environmental regulations and become subject to administrative sanctions, such as fines. Moreover, our reputation and the “Takko” and “1982” brands could be damaged by the marketing of defective products, especially in case of serious defects such as material and production defects (such as incorrect fit or shrinkage) or products containing harmful substances causing physical harm or other health problems. Such serious defects could also lead to a significant decline in sales. While we maintain insurance at levels that we believe provide sufficient protection against possible warranty claims due to defective products, we may nonetheless be required to bear any costs and expenses relating to risks not insured or exceeding the insured amounts. In all such cases, especially if there is a prolonged impact on product quality, our net assets, financial condition and results of operations may be materially adversely affected.

We are exposed to fluctuations in currency exchange rates, which could negatively impact our financial condition and results of operations.

We are subject to foreign exchange risk as most of our sales are in euros, while a major part of our cost of materials (approximately 65% to 75% for the nine month period ended January 31, 2013 is incurred in currencies other than the euro, predominately in U.S. dollars (so-called transaction risk). The exchange rate between the U.S. dollar and the euro is subject to significant fluctuations. If the U.S. dollar appreciates relative to the euro, our sourcing costs rise. If the increase in sourcing costs cannot be passed on to customers without a corresponding decrease in sales, a rise in the U.S. dollar's value relative to the euro will result in lower sales and pressure on margins. In fiscal year 2010, the twelve month period ended April 30, 2011, fiscal year 2012 and the nine month period ended January 31, 2013, an assumed appreciation of the U.S. dollar relative to the euro by 10%, as reflected in a shift of spot rates and hedging rates for the respective periods, would have resulted in an estimated decrease of gross margin comprised between 2.5 and 3.5 percentage points. We generally hedge the euro / U.S. dollar currency exposure based on a defined hedging strategy. However, the timing and scope of the protection covers only a part of the currency risk. In addition, we may not always be able to adequately hedge against the currency risk on suitable terms in the future. In addition, hedging only provides a short term insurance against exchange rate fluctuations. In the mid-term, larger realignments in the exchange rate cannot be hedged. Further transaction risk exists for us to the extent that the foreign subsidiaries outside the eurozone, in particular in the Czech Republic, Hungary, Poland, Romania, Croatia, Serbia and Switzerland, source goods from Takko Holding GmbH in euros while their sales are denominated in their respective national currency. Exchange rate fluctuations also affect the translated value of balance sheet and income statement positions of our subsidiaries outside the eurozone which are denominated in the relevant national currency as these positions must be converted into euro in connection with the preparation of our consolidated and combined financial statements. As a result, exchange losses may arise due to this conversion (so-called translation risk). We do not hedge against these currency translation risks. In all these cases, an adverse change in the exchange rate of the euro against the U.S. dollar or other relevant foreign currencies could have a material adverse effect on our net assets, financial condition and results of operations.

Our substantial debt and our exposure to changing market interest rates could adversely affect our financial health and prevent us from fulfilling our respective obligations under the Notes and the Guarantees.

Currently, a substantial amount of our debt bears interest at variable rates that are linked to changing market interest rates. As a result, if the market interest rate had been 100 basis points higher in the nine month period ended January 31, 2013, our interest expenses relating to bank loans would have been €1.1 million higher. Although, following the completion of the Offering, we intend to hedge a portion of our exposure to variable interest rates under the Senior Secured Floating Rate Notes by entering into interest rate swaps, we cannot be certain that these hedges will be effective and have not decided whether we will continue to hedge this exposure in the future. As a result, an increase in market interest rates would continue to increase our interest expense and our debt service obligations, which would exacerbate the risks associated with our leveraged capital structure. While we are considering entering into hedging agreements in the future, we may elect not to do so or the terms on which we hedge the debt may not be satisfactory or may fail to adequately protect us.

Our real estate strategy may not be successful, and negotiating, terminating or extending store leases may be difficult or costly, which would negatively impact our competitive position, growth strategy and profitability.

The success of our business depends, in part, on our ability to identify suitable premises for our stores and to negotiate acceptable lease terms. We are primarily interested in stores located in commercial areas in the periphery of cities with good infrastructure. In addition, we search for premises in city and shopping centers, particularly for "1982" stores for which we target highly frequented locations. We compete with other global and regional retailers for store locations and may not be able to secure attractive sites for new stores on acceptable terms, in which case our expansion could be significantly impeded. Each year, a portion of our lease agreements for store locations are due for renewal or renegotiation. We may be unable to extend expiring lease agreements at acceptable terms and may have to abandon the locations or renew the leases on unfavorable terms and continue managing the stores less profitably. Furthermore, we may not be able to anticipate the impact of changing economic and demographic conditions for new and existing store locations, and to avoid delays and cost overruns in connection with the build-out and refurbishment of our stores. Moreover, many of our stores are located in retail parks in commercial areas or shopping centers which have been and may, in the future, be adversely affected by unfavorable economic conditions, the closing of other retail or anchor tenants and competition from other retail parks or shopping centers. We typically enter into long-term lease agreements of around ten years for our stores. Some of the lease agreements have no special termination right in our favor, and we may be unable to

terminate lease agreements for stores that do not meet our financial targets on short notice or at acceptable costs. Failure to secure attractive new store locations, to extend expiring store leases, and to terminate lease agreements for unattractive existing store locations in a timely manner would have a negative impact on our competitive position, growth strategy and profitability. Any of these factors could have a material adverse effect on our net assets, financial condition and results of operations.

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

Our success depends on the continuous and uninterrupted availability of our IT systems to process, among others, customer transactions, design products, inventory management, purchase and ship merchandise. A range of factors, such as telecommunication problems, software errors, inadequate capacity at IT centers, fire, power outages or damage, attacks by third parties and the delayed or failed implementation of new computer systems, such as SAP-Retail which we are currently installing, could interfere with the availability of our IT systems. Our servers could be affected by physical or electronic break-ins, and computer viruses or similar disruptions may occur. In addition, unforeseen problems with our IT systems may cause disruptions. If, for example, such a problem were to disable electronic payment systems in our stores, EC-cash payments could no longer be processed and fewer customer transactions would take place, which in turn would decrease sales. Moreover, any disturbance or disruption of our freight management system may cause substantial delays in the delivery of products to our stores and result in lower sales. A system outage may also cause the loss of important data. Our existing safety systems, data backup, access protection, user management and IT emergency planning may not be sufficient to prevent data loss or long-term network outages.

The occurrence of any of these problems could have a material adverse effect on our net assets, financial condition and results of operations.

We face the risk of theft or misappropriation of our customer data.

We collect customer data conditional upon the customers' written consent and purchase address data of potential customers from address data agencies for marketing purposes. A professional data service company stores and processes the customer data. It cannot be excluded that the customer data gets either stolen or misappropriated at any stage of data processing such as receipt, transmission, use or storage of the data. For example, several years ago we were confronted with an extortion attempt where consumer data for a significant number of customers was misappropriated. Ultimately, the perpetrator was arrested and no data was released to the public. In this case, customers may be discouraged to provide us with their data and direct marketing could be negatively affected as a result. Furthermore, due to the negative publicity of companies where customer data was stolen or misappropriated, our reputation could be negatively affected which could result in lower sales. Therefore, the theft or misappropriation of customer data could have a material adverse effect on our net assets, financial condition and results of operations.

Our marketing campaigns may prove ineffective.

Our sales depend to a large extent on the success of our marketing campaigns. We use various marketing platforms, such as brochures, marketing events, TV or radio campaigns, internet advertising, direct mailing and visual merchandizing. From time to time, we will need to refresh or reinvent our marketing campaigns, which will require additional expense. If a marketing campaign fails, the investments made will turn out to be ineffective and we could face a decrease in customer demand and a resulting decline in sales which, especially if marketing campaigns repeatedly prove ineffective, may have a material adverse effect on our net assets, financial condition and results of operations.

Sales of our products are subject to seasonal fluctuations and could be adversely affected by unfavorable weather conditions, and our results of operations are particularly dependent on the spring and fall seasons.

The retail apparel industry in which we operate is seasonal by nature, and our net revenue and profits are therefore subject to seasonal fluctuations. Typically our sales are lower in the summer sales period (July to August) and winter sales period (January to February), while sales in the spring sales period (March to June) and fall sales period (September to December) are higher. The seasonal influences have a direct impact on our earnings in the corresponding quarter. Any factors that harm our operating results in non-promotional periods, including adverse weather or unfavorable economic conditions, would have a disproportionate effect on our financial condition and results of operations for the entire fiscal year. If we cannot offset the lower-sales seasons with those having stronger sales, our net assets, financial condition and results of operations may be adversely

affected. Because of the seasonal influences, our net revenue and earnings of individual quarters can fluctuate significantly.

Unseasonable weather conditions can also have a significant negative impact on the sale of our products. For example, the peak months for the sale of our fall and winter collections are generally September through November. Particularly mild weather conditions during these months can harm sales of winter clothing and, similarly, particularly cold and wet weather conditions during the months of March through May, the peak season for our spring and summer collections which traditionally consist of lighter clothing, can harm sales of spring and summer clothing. Any of the foregoing factors can have a material adverse effect on our net assets, financial condition and results of operations.

We may be adversely affected by increases in energy costs.

Energy costs have fluctuated significantly in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for stores and costs to purchase merchandise from third-party manufacturers. A rise in energy costs can adversely affect consumer spending and demand for our products and will increase our operating costs, both of which could have a material adverse effect on our net assets, financial condition and results of operations.

We depend on key personnel and may not be able to retain or replace such personnel.

Our success and future development depend heavily on the performance of our senior management and other qualified and experienced managers and employees in key positions. We may not succeed in retaining key managers and employees on terms acceptable to us, attracting or training new employees with the requisite skills, or adequately replacing departures. Furthermore, the unexpected loss of key managers or employees could significantly harm our market position and further development. The management board members of Takko Fashion GmbH have many years of expertise in the industry and extensive knowledge of our organizational structure and working procedures. The current contracts with our management board members have terms ranging from one to five years. The loss of one or more key managers or employees and the difficult task of attracting new highly qualified management executives and employees could impair our growth and our ability to manage our operations effectively and may have a negative impact on our business and our ability to expand, with potentially material adverse effects on our net assets, financial condition and results of operations.

Our assets, such as goodwill and brands, are subject to the risk of impairment.

As of January 31, 2013, intangible assets totaling €1,147.4 million and deferred tax assets of €5.4 million were carried on our consolidated balance sheet. The intangible assets mainly consisted of goodwill allocated to our cash generating units (€936.8 million as of January 31, 2013) and the "Takko" and "1982" brands (€203.3 million as of April 30, 2012, which remained unchanged as of January 31, 2013). We determine the value of the intangible assets in accordance with applicable accounting principles, and there is no systematic amortization of the brand or goodwill. The impairment test of the goodwill is based on the expected cash flows of the cash generating unit. We have recently carried out an impairment test as of October 31, 2012 which resulted in an impairment of goodwill and certain assets and impairment expenses in an aggregate amount of €17.2 million in the nine month period ended January 31, 2013 (see "—Results of Operations—Comparison of the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012—Depreciation, Amortization and Impairment of Property, Plant and Equipment and Intangible Assets"). A further impairment loss may have to be recognized if the expectations on which the current carrying amount are based are not fulfilled and the recoverable amount of any cash generating unit is less than our carrying amount, such as if market and industry conditions deteriorate or interest rates rise. In addition, deferred tax assets for tax loss carry-forwards are only recognized if such tax loss carry-forwards are generally utilizable and it is probable that taxable income will be available for the loss carry-forwards to be utilized. Deferred tax assets are calculated on the basis of management estimates on the expected timing and amount of income to be taxed and the future tax planning strategies. Therefore, deferred tax assets may have to be derecognized if the expectations on which the amount of deferred taxes are based are not fulfilled. An impairment loss with respect to goodwill and/or deferred tax assets may have a material adverse effect on our net assets, financial condition and results of operations.

The interests of our principal shareholder may conflict with your interests.

Currently, funds advised by Apax beneficially own 92.3% of the equity of the Company. As a result, these shareholders have and will continue to have, directly or indirectly, the power, among other things, to affect our

legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and advisory board and to approve or prevent any other changes to our operations. The interests of our shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. For example, the shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets, in each case, as permitted under the Indenture governing the Notes. Incurring additional indebtedness would increase our debt service obligations and selling assets could reduce our ability to generate revenues, each of which could affect you adversely. Funds advised by Apax also hold other investments, including other fashion retailers. While the Indenture governing the Notes set forth certain limitations on transactions with our affiliates, which include such other fashion retailers, they do not prohibit such affiliate transactions, and such limitations are subject to significant exceptions.

Even if our current shareholders make divestitures such that they control less than a majority of the equity in our parent companies, they may still be able to effectively control or strongly influence our decisions. Such divestitures may not trigger a change of control under the Indenture governing the Notes. See "Description of the Notes."

Risks Related to Tax and Legal Matters

Our tax burden could increase due to changes in tax law or their application or interpretation, or as a result of current or future tax audits.

Our tax burden is dependent on certain aspects of tax laws across several different jurisdictions and their application and interpretation. Changes in tax laws or their interpretation or application could increase the tax burden. As a result of future tax audits or other review actions of the relevant financial or tax authorities, additional taxes could be identified, which could lead to an increase in our tax obligations, either as a result of the relevant tax payment being levied directly on us or as result of us becoming liable for tax as a secondary obligor due to a primary obligor's (such as, for example, an employee's) failure to pay.

Transfer pricing: Due to our international focus, we are exposed to tax risks, in particular with regard to so-called transfer pricing rules that apply in several jurisdictions. Pursuant to these rules, related enterprises must conduct any inter-company transactions at conditions that would apply among unrelated third parties concluding comparable agreements (the "arm's length principle") and provide sufficient documentation thereof, subject to particular rules applicable to them in the relevant jurisdiction. Although we have adopted a transfer pricing policy, tax authorities may challenge our compliance with applicable transfer pricing rules. In addition, we are currently in the process of reviewing our transfer pricing documentation. As a result we may adjust our transfer pricing policies which could either have a positive or negative impact on the overall taxation of the Company.

Tax audits: The Company as well as our German and other foreign subsidiaries are subject to regular tax audits by their respective tax authorities. The most recent tax audits of our German companies related to fiscal year 2010 (VAT in calendar year 2009) were completed in the calendar year 2012. Notices of objection raised in these tax audits are reflected in the subsequent tax returns filed by the companies to the extent they refer to re-incurring events.

As a result of tax audits or other reviews by the German or foreign tax authorities, additional taxes (including withholding taxes, real estate transfer taxes, capital duties and stamp duties) could be levied on our companies (for example, in connection with restructuring measures, transaction costs, the refund of input-VAT or intra-group pricing terms) or tax losses carried forward could be reduced, which could lead to an increase in our tax obligations.

Corporate Reorganizations: Our corporate structure has been and probably will be subject to reorganization measures (such as changes in the ownership structure, transfers of subsidiaries or mergers). Although we have considered the relevant tax issues arising from such reorganizations tax authorities may not agree with some or all of the positions that we have taken and, as a result, additional taxes may be levied or tax assets may be challenged.

Tax losses carried forward: Takko Holding GmbH and certain other German group entities carried forward, for periods prior to the Acquisition, significant tax losses. Such tax loss carry-forwards (together with any interest carry-forwards) partly correlate to deferred tax assets in the amount of €31.1 million which were reflected in our 2012 Consolidated Financial Statements. The availability of the tax losses carried forward could be subject to review in future tax audits with respect to so called change-of-control rules. The acquisition of our

Group which occurred on February 8, 2011 may have an impact on any existing tax losses at that time under the change-of-control rules. Generally a change of control leads to the forfeiture of existing tax loss carry-forwards, except to the extent that there are unrealized taxable gains (hidden reserves) attached to the assets of the respective loss-bearing company (so-called "hidden reserves" relief). Takko Holding GmbH takes (in its tax return) the view that the hidden reserves relief for the tax loss carry-forwards accrued at the level of Takko Holding GmbH applies and therefore this tax loss carry-forwards (existing at the acquisition) should not be forfeited. The tax burden for future periods could increase if gained profits cannot be set off against tax losses carried forward.

Financing / tax deduction of interest expense: Several of our companies are financed, *inter alia*, by inter-company loans and third party loans (mainly in Germany, Austria and the Netherlands). In several jurisdictions, our companies are subject to rules limiting the tax deductibility of interest expenses. As a result, a certain amount of interest expenses may not be tax deductible under the relevant tax laws in place. Such rules might be further tightened (such as in Austria) and could result in an increase of non-tax deductible interest expenses. Pursuant to the German interest barrier rules (*Zinsschranke*), interest expenses (net of interest income) exceeding a threshold of 30% of the respective company's EBITDA (as adjusted for German tax purposes) are generally not tax deductible. Non-tax deductible interest expenses and any excess EBITDA (difference between 30% of the EBITDA and the net interest expense) can generally be carried forward and utilized in subsequent periods. The availability of the interest expense carry-forward could be subject to review in future tax audits with respect to so called change-of-control rules (see above). The Acquisition which occurred on February 8, 2011 may have an impact on any existing interest carry-forward at that time under the change-of-control rules. The above described change-of-control rules and the so-called "hidden reserves" relief also apply to the interest expense carry-forward. Takko Holding GmbH takes (in its tax return) the view that the hidden reserves relief for the interest expense carry-forwards accrued at the level of Takko Holding GmbH applies and therefore this interest carry-forwards (existing at the acquistion) should not be forfeited. The tax burden of future periods could increase if profits cannot be set off against interest expense carried forward. Currently, a material EBITDA carry-forward is available at Takko Holding GmbH. Similar to tax losses carried forward, German interest expenses and excess EBITDA carried forward could become temporarily or irrevocably unavailable upon certain changes of the shareholder structure, (group) restructurings or the like, including the establishment of a fiscal unity (*Organschaft*).

Value added tax ("VAT"): VAT rates could increase in the future in other countries in which we operate. If we do not increase the prices of our products to match the increase in VAT, our profitability margins will be negatively impacted. If we pass the increase in VAT on to our customers by raising the prices of our products, the demand for our products may decline, materially and adversely affecting our net assets, financial condition and results of operations. Furthermore, we have VAT risks arising out of the operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganizations.

Permanent representative offices in Asia: Currently we maintain permanent representative offices in Asia. Such offices may possibly be regarded as a permanent establishment by Asian tax authorities which could result in an additional foreign tax liability of the Company or its subsidiaries.

The occurrence of any of the foregoing tax risks could have a material adverse effect on our net assets, financial condition and results of operations.

We may violate intellectual property rights of third parties.

Our products may violate intellectual property rights (in particular trademarks and design rights) of third parties. Our aim is to follow general fashion trends and to incorporate them into our own new collections. To this end, we use different means of trend-scouting, such as employing trend agencies or visiting trade fairs and stores of other fashion retailers. If we are perceived to have adopted trends or designs developed by competitors, we may become subject to claims that it has violated the intellectual property rights of others. We may be prevented by third parties from using, sourcing or marketing certain designs and product ideas. If we violate a third-party's rights, it may be liable for damages as well as litigation costs and may be obligated to withdraw goods already produced from the market or purchase a license to use such rights. This may reduce sales, erode margins or damage our reputation, any of which could have a material adverse effect on our net assets, financial condition and results of operations.

We may become involved in litigation and arbitration proceedings.

We may become involved in litigation and arbitration proceedings, such as labor related litigation or litigation or arbitration proceedings with our customers, suppliers or cooperation partners, such as disputes in

recent years with two cooperation partners in Portugal and several countries in Central and Eastern Europe. For example, in fiscal year 2012 a former franchise partner has commenced an arbitration proceeding, claiming an amount of approximately €24.0 million against the Group in respect of alleged manipulative practices in the implementation of a franchise agreement and the subsequent sale and transfer of a store portfolio in Slovenia, Estonia, Lithuania and Croatia to the Group at the beginning of 2009. The arbitration tribunal announced that it would advise whether further evidence and hearings would be required or whether it had sufficient information to issue an arbitral award. The panel has not yet released its decision but is expected to do so on or before the Issue Date.

Even if we were successful in defending such proceedings, we would still suffer from the distraction of management resources to such proceedings, incur certain expenses and possibly face harm to our reputation from case-related publicity. The involvement in litigation and arbitration proceedings may have a material adverse effect on our net assets, financial condition and results of operations.

Risks Related to our Indebtedness

Our substantial indebtedness and debt service obligations could materially adversely affect our business, financial condition and results of operations.

We are highly leveraged and have significant debt service obligations. As of and for the nine month period ended January 31, 2013, on an adjusted basis after giving effect to the Offering and the Refinancing, we would have had €556.2 million of financial indebtedness. In addition, as of January 31, 2013, we had €63.3 million of residual availability under the Revolving Credit Facility.

Furthermore, we regularly use documentary letters of credit in order to secure and settle our trade payables to our suppliers. The liabilities to suppliers under trade payables are reflected as trade liabilities either in our balance sheet or in the off-balance-sheet commitments. Upon the due date of the trade payables, the documentary letters of credit would be paid by the issuing banks with funds provided to them by us. Thus, the documentary letters of credit are used as a supporting documentation for the merchandise import process and to facilitate payment to our suppliers abroad but their function is not to provide credit to us. If the letter of credit is drawn upon and the funding bank is then not reimbursed by us, the unreimbursed amount would then constitute financial indebtedness.

We anticipate that our high leverage will continue to be in place for the foreseeable future. Our high leverage could have significant consequences, including, but not limited to:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements;
- increasing our vulnerability to a downturn in our business or economic and market 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, which means that this cash flow will not be available to fund our operations, capital expenditures or for other corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the value fashion market; and
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged.

Any of these, or other, consequences or events could have a material adverse effect on our ability to satisfy our debt obligations or a material adverse effect on the Issuer's ability to satisfy its obligations under the Notes.

We require a significant amount of cash to service our debt and fund our operations. Our ability to generate sufficient cash depends on factors beyond our control.

Our ability to make payments on and to refinance our debt, and to fund working capital, rental and lease payments and capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in these "Risk Factors" and elsewhere in this offering memorandum. We cannot assure you that our business will

generate sufficient cash flow from operations, that the cost savings, revenue growth and operating improvements currently anticipated will be realized or that future debt and equity financing will be available to us on satisfactory terms or at all in an amount sufficient to enable us to pay our debts when due, or to fund our other liquidity needs. See "Management's Discussion and Analysis of Our Financial Condition and Results of Operations" for a discussion of our cash flows and liquidity.

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

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

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

Despite our current levels of indebtedness, we may still be able to incur substantially more debt, which could further exacerbate the risks associated with our substantial indebtedness.

We may incur substantial additional indebtedness in the future. Some of this debt could rank *pari passu* with the Notes, be structurally senior to the Notes and the Guarantees, benefit from "super priority" status in the distribution of certain enforcement proceeds or be secured on assets which do not form part of the Collateral for the Notes and the Guarantees. Additional debt could also mature prior to the Notes. The agreements governing our debt limit our ability to incur additional indebtedness, but do not prohibit us from doing so. In addition, any delayed reimbursement of the issuing banks with regard to documentary letters of credit would further increase our financial indebtedness. The incurrence of additional indebtedness would increase the leverage related risks described in this offering memorandum. Furthermore, we may incur additional indebtedness that bears interest at a variable rate plus an agreed margin and certain additional costs. Fluctuations in such variable rate may increase our overall debt obligation and could have a material adverse effect on our ability to service our debt obligations, including our obligations under the Notes.

We are subject to significant restrictive debt covenants, which limit our operating flexibility.

The Indenture contains covenants significantly restricting the Issuer's and the restricted subsidiaries' ability to, among other things:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem our share capital;
- make investments, loans or other restricted payments;
- make acquisitions;
- sell assets, including shareholdings;
- enter into certain transactions with affiliates; and
- merge, amalgamate or sell all or substantially all of our assets.

Our Revolving Credit Facility will in addition require us to comply with a minimum Consolidated EBITDA test (see "—Description of Other Indebtedness—Senior Facilities).

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.

Risks related to the Notes and the Guarantees

The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries and joint ventures.

Some, but not all, of our subsidiaries will guarantee the Notes. In addition, any joint ventures that we enter into will not guarantee the Notes. Generally, holders of indebtedness of, and trade creditors of, non-Guarantor subsidiaries and joint ventures, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries and joint ventures before these assets are made available for distribution to any Guarantor, as direct or indirect shareholder. Accordingly, in the event that any of the non-Guarantor subsidiaries or joint venture entities becomes insolvent, liquidates or otherwise reorganizes:

- the creditors of the Guarantors, the Issuer (including the holders of the Notes) will have no right to proceed against such subsidiary or joint venture entities' assets; and
- creditors of such non-Guarantor subsidiary or joint venture, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary or joint venture before any Guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary or joint venture.

The Guarantors generated 77.5% of our Group's total net revenues and 91.8% of our Group's total Adjusted EBITDA for fiscal year 2012, and represented 89.5% of our Group's total assets as of April 30, 2012. As of April 30, 2012, our subsidiaries that are not Guarantors had approximately €18.8 million of liabilities, including trade payables but excluding intercompany obligations, all of which would have ranked structurally senior to the Notes and the Guarantees. See "Presentation of Financial and Other Information."

The Issuer has no material assets or sources of revenue and will depend on payments from other Group companies under the proceeds loans to pay the noteholders.

The Issuer is a finance subsidiary of a holding company that was formed in connection with the issuance of the Notes. The Issuer conducts no business or revenue-generating operations of its own and will have no material assets other than the proceeds loans pursuant to which it on-lends the proceeds of the Offering to the Company. The Issuer's ability to make payments under or on the Notes is dependent on the cash flows received under the respective proceeds loans. If payments under the proceeds loans are not made by the Company, for whatever reason, the Issuer does not expect to have any other sources of funds available to it that would permit it to make payments on the Notes. In such circumstances, noteholders would have to rely upon claims for payment under the guarantees and other available security. Such payments are subject to the risks and limitations described herein.

The Company is a holding company and conducts no business or revenue-generating operations of its own. It has only limited assets, including the shares in and a proceeds loan to Salsa Retail Holding DebtCo 2 S.à r.l., which itself is another holding company. The ability of the Company and Salsa Retail Holding DebtCo 2 S.à r.l. to make payments under or on their respective proceeds loans is dependent on the cash flows received through upstream loans or distributions from the Group's operating subsidiaries or payments under the respective proceeds loans. The ability of these subsidiaries to make distributions, loans or advances to their respective parent companies may be limited by the laws of the relevant jurisdictions in which such subsidiaries are organized or located. The Indenture governing the Notes will not include any restrictions on amending or prepaying any of the proceeds loans granted by the Company or any of its subsidiaries. As a result, the initial amounts of such proceeds loans may be reduced, potentially to zero, prior to maturity of the Notes.

For the foregoing reasons, there can be no assurance that the Company and its subsidiaries will be able to provide the Issuer with enough cash to meet its respective obligations under the Notes.

The Notes will be secured only to the extent of the value of the assets that have been granted as security, and in the event that the security is enforced, the holders of the Notes will only be paid once the lenders under the Revolving Credit Facility (including its letter of credit facility), counterparties of certain hedging obligations and any other holders of additional super priority secured debt are repaid in full.

If we default on the Notes, the holders of the Notes will be secured only to the extent of the value of the assets underlying their security interest. Not all of our assets secure the Notes and we will not be obligated to take action to perfect all liens on assets that do secure the Notes. See "—Certain categories of property are excluded from the security. In addition, it may be difficult to realize the value of the security." In the future, the obligations to provide additional guarantees and grant additional security over assets, or a particular type or class

of assets, whether as a result of the acquisition or creation of future assets or subsidiaries, the designation of a previously unrestricted subsidiary as a restricted subsidiary or otherwise, is subject to certain security principles agreed to between the Issuer and the Security Agent under the Senior Facilities Agreement and the Intercreditor Agreement. The agreed security principles set out a number of limitations on the rights of the holders of Notes to require granting of, or payment or enforcement under, a guarantee or security in certain circumstances. The operation of the agreed security principles may result in, among other things, the amount recoverable under any guarantee or security provided by any subsidiary being limited or security not being granted over a particular type or class of assets. Accordingly, the agreed security principles may affect the value of the guarantees and security provided by us and our subsidiaries. The validity and enforceability of the guarantees and security may also be affected by local law limitations. See "—Corporate benefit, financial assistance, capital maintenance and liquidity protection laws and other limitations on the Guarantees and security may adversely affect the validity and enforceability of the Guarantees and security granted by the Guarantors."

Furthermore, the Intercreditor Agreement requires proceeds from the enforcement of the security to be applied to repay the claims of the lenders under the Revolving Credit Facility (including its letter of credit facility), as well as counterparties of certain hedging obligations, in priority to the Notes and other secured obligations. At the Issue Date, the Revolving Credit Facility will provide for utilizations of up to €85 million and the L/C Facility will provide for trade L/Cs of up to €190 million. As a result, holders of Notes will receive less from the proceeds of security in an enforcement or insolvency scenario than if they were not required to share proceeds.

In addition, the Indenture will permit us to incur other indebtedness which is secured by the assets securing the Notes. Any such additional indebtedness may effectively dilute Noteholders' claims over the assets securing the Notes.

No appraisals of any of the security have been prepared by us or on our behalf in connection with the Offering. The fair market value of the security is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, the ability to sell the security in an orderly sale, general economic conditions, the availability of buyers and similar factors. The amount to be received upon a sale of any security would be dependent on numerous factors, including but not limited to the actual fair market value of the security at such time, general, market and economic conditions and the timing and the manner of the sale.

There also can be no assurance that the security will be saleable and, even if saleable, the timing of any liquidation or foreclosure is uncertain. To the extent that liens, rights or easements granted to third parties encumber assets located on property owned by us, such third parties have or may exercise rights and remedies with respect to the property subject to such liens that could adversely affect the value of the security and the ability of the Security Agent to realize or foreclose on the security. By the nature of our business, some or all of the security may be illiquid and may have no readily ascertainable market value. In the event that a bankruptcy case is commenced by or against us, if the value of the security is less than the amount of principal and accrued and unpaid interest on the Notes and other senior secured obligations, interest may cease to accrue on the Notes from and after the date the bankruptcy petition is filed. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the security will be sufficient to pay the obligations due under the Notes.

The enforcement against the Guarantors incorporated in Germany, Austria, the Netherlands and Luxembourg will be limited.

The Guarantors' obligations and the security interest granted by (direct or indirect) subsidiaries of the Company in respect of the Notes are subject to certain restrictions to comply with capital maintenance and liquidity protection rules under German law, Austrian law and Luxembourg law. In order to enable the Guarantors incorporated in Germany and other entities that grant or may grant security for the Notes which are incorporated in Germany as a German limited liability company (GmbH), or a German limited partnership with a German limited liability company as general partner (GmbH & Co. KG) to guarantee the Notes and grant security interests over their assets to secure the Notes without the risk of violating German capital maintenance provisions and to protect management from personal liability, it is standard market practice in Germany for up-stream and cross-stream guarantees and collateral agreements to contain so-called "limitation language" in relation to up-stream or cross-stream guarantees and security. All Guarantors and all collateral providers incorporated in Germany are either German limited liability companies (GmbH) or limited partnerships with a German limited liability company as general partner (GmbH & Co. KG). Pursuant to such limitation language, the enforcement against such Guarantors of their obligations under the Guarantees and the enforcement of the Collateral provided by the collateral providers will be limited, reflecting the requirement under the capital

maintenance and liquidity protection rules imposed by Sections 30, 31 and 64 of the German Act regarding Companies with Limited Liability (Gesetz betreffend die Gesellschaften mit beschränkter Haftung) if and to the extent payments in respect of the Notes or, as the case may be, the enforcement of security documents would either (i) cause the relevant Guarantor's or, as the case may be, collateral provider's net assets to fall below the amount of its registered share capital (Stammkapital) or (ii) lead to the cash-flow insolvency (*Zahlungsunfähigkeit*) of the relevant German Guarantor or, as the case may be, collateral provider within the current or subsequent financial year and trigger the liability of a managing director of the relevant German Guarantor or, as the case may be, collateral provider pursuant to sentence 3 of Section 64 of the German Act regarding Companies with Limited Liability.

Even more stringent restrictions apply with respect to the Guarantors and collateral providers organized or incorporated in Austria. See with regards to both jurisdictions "Certain Limitations on Validity and Enforceability."

With respect to Guarantors incorporated in Luxembourg, even if the Luxembourg law dated August 10, 1915 on commercial companies, as amended, does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting upstream or cross-stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee or security, provided that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee or security must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee or security must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies, and (iii) such guarantee or security granted or any other financial commitments must not exceed the financial capabilities of the committing company.

A guarantee not satisfying these criteria would expose its *de facto* or *de jure* directors or managers to personal liability or criminal liability. In addition, the guarantee or security interest could itself be held null and void. The Guarantee granted by Guarantors incorporated in Luxembourg will be limited to a certain percentage of, among other things, the company's net assets (*capitaux propres*).

Enforcing your rights as a holder of the Notes or under the Guarantees or the Collateral across multiple jurisdictions may be difficult.

The Guarantees as well as the security interests will be contractually limited to the maximum amount that can be guaranteed or secured by the relevant Guarantor or collateral provider without rendering the Guarantee or security interest, as it relates to that Guarantor or collateral provider, voidable or otherwise ineffective under applicable laws or exposes the directors of the relevant Guarantors or collateral providers to a risk of personal liability or would give the Guarantees preference over the direct creditors of the relevant Guarantors, and enforcement of the Guarantee or security interest would be subject to certain generally available defenses. These laws and defenses include those that relate to fraudulent conveyance or transfer, insolvency, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

The Guarantors and the collateral providers, as of the Issue Date, will be organized or incorporated under the laws of Austria, Luxembourg, Germany and the Netherlands. Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void any Guarantee or the security interest provided by such Guarantor or collateral provider and, if payment had already been made under the relevant Guarantee or security interest, require that the recipient return the payment to the relevant Guarantor, if the court found that:

- the Guarantee was granted or the security interest created with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or other person or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor or the collateral provider was insolvent when it granted the Guarantee or security interest;
- the Guarantee was entered into or, as the case may be, the security interest was created without a legal obligation to do so, is prejudicial to the interests of the other creditors and both, the Guarantor or collateral provider and the beneficiary of the Guarantee were aware of or should have been aware of the fact that it was prejudicial to the other creditors;

- the Guarantor or, as the case may be, the collateral provider did not receive fair consideration or reasonably equivalent value for the Guarantee or the granting of the security and/or the Guarantor or collateral provider: (i) became insolvent before the granting of the security or was insolvent or rendered insolvent because of the issuance of the Guarantee or the creation of the security interest; (ii) was undercapitalized or became undercapitalized because of the issuance of the Guarantee or the creation of the security interest; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the Guarantee or security interest was held to exceed the objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable was in excess of the maximum amount permitted under applicable law.

The measure of insolvency for purposes of fraudulent conveyance and similar laws varies depending on the law applied. For example, generally, a German or Austrian Guarantor or, as the case may be, collateral provider would be considered insolvent if it could not pay its debts as they become due (hereinafter referred to as illiquidity or cash-flow insolvency) (*Zahlungsunfähigkeit*) or if such scenario is imminent (*drohende Zahlungsunfähigkeit*) or if its liabilities exceed the value of its assets (to be assessed on their liquidation values) unless a continuation of its business as a going concern is predominantly likely (hereinafter referred to as over-indebtedness) (*Überschuldung*).

If a court or a creditor were to find that the granting of a Guarantee and/or the security interest was a fraudulent conveyance or can otherwise be challenged, the court, a creditor or an insolvency administrator over the assets of the Guarantor or the collateral provider could void or declare unenforceable the payment obligations under such Guarantee or security interest, or subordinate such Guarantee to presently existing and future indebtedness of such Guarantor or require the holders of the Notes to repay any amounts received with respect to such Guarantee or security interest. In some of these events, you may cease to have any claim in respect of the Guarantor and would be a creditor solely of the Issuer and any remaining Guarantors. An overview of enforcement issues and other limitations as they relate to the Guarantees and the security interests is set forth under "Certain Limitations on Validity and Enforceability."

In addition, the granting or enforcement of guarantees and security is subject to restrictions in several jurisdictions in which Guarantors are organized or incorporated. For details regarding the limitations on Guarantees granted by German as well as Austrian and Dutch Guarantors, see "Description of the Notes—Note Guarantees" and "Certain Limitations on Validity and Enforceability.

The issuance of guarantees and the creation of security interests by German Guarantors and collateral providers is subject to certain capital maintenance and liquidity protection rules under German law. Therefore, in order to enable German Guarantors to grant guarantees and security interests securing liabilities of the Issuer without the risk of violating these provisions and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called "limitation language" in relation to (direct or indirect) subsidiaries incorporated in Germany in the legal form of a German limited liability company (*GmbH)* or a German limited partnership with a German limited liability company as general partner (*GmbH & Co. KG*). Pursuant to such limitation language, the enforcement of the Guarantee and security documents given by each of the German Guarantors and the collateral providers will be limited reflecting, in case of any German Guarantor incorporated as a German limited liability company (*GmbH*) or as a German limited partnership with a German limited liability company as general partner, the requirement under the capital maintenance and liquidity protection rules imposed by Sections 30, 31 and 64 of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) if and to the extent payments under any such Guarantee or, as the case may be, the enforcement of security documents would either (i) cause a German Guarantor's or collateral provider's net assets to fall below the amount of its registered share capital (*Stammkapital*) or (ii) lead to the cash-flow insolvency (*Zahlungsunfähigkeit*) of the relevant German Guarantor or, as the case may be, collateral provider within the current or subsequent financial year and trigger the liability of a managing director of the relevant German Guarantor or, as the case may be, collateral provider pursuant to sentence 3 of Section 64 of the German Act regarding Companies with Limited Liability.

In addition, Guarantees issued and collateral created by subsidiaries incorporated in other jurisdictions may be subject to similar limitations. In particular, similar (and, with regard to Austrian law, even more rigorous) issues with respect to capital maintenance rules arise under Austrian and Dutch law. See "Certain Limitations on Validity and Enforceability."

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 security 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 issuance of Guarantees by the German Guarantors or with respect to the creation of security interests by a German security provider. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the Guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any material circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

The granting of new security and the release and restating of security in connection with the issue of the Notes will create hardening periods for such security in accordance with the law applicable in certain jurisdictions.

The granting of new security and the release and restating, or expansion of the security purpose, of security in connection with the issue of Notes may create hardening periods for such security in certain jurisdictions. In Austria, Germany, the Netherlands and Luxembourg, new security will be granted to replace the existing security documents. In the case of an insolvency event during the hardening period, the relevant receiver may avoid the relevant grant of security and claw back any enforcement proceeds.

The security in favor of the Security Agent may not be enforceable under certain jurisdictions that do not recognize parallel debt obligations.

Under certain jurisdictions, there is a possibility that a security interest is not enforceable for the benefit of beneficiaries who are not a party to the relevant pledge agreement creating such security interest. The Intercreditor Agreement provides for the creation of a so-called "parallel debt obligation" in favor of the Security Agent, with the Security Agent becoming the holder of a claim equal to amounts payable to holders under the Indenture. The parallel debt obligation procedure has not been tested under certain local jurisdictions, such as Germany, the Netherlands and Austria, and we cannot assure you that it will eliminate or mitigate the risk of unenforceability of the pledges posed by such local jurisdictions. In case the validity or enforceability of the security in favor of the Security Agent is challenged successfully, the Trustee, the Security Agent or the holders of Notes may not be able to recover any amounts under the relevant security.

Certain categories of property are excluded from the security. In addition, it may be difficult to realize the value of the security.

Certain categories of assets are excluded from the security securing the Notes and the related Guarantees. For example, assets need only be pledged to the extent permitted by applicable law and contracts binding on us and the Guarantors and for certain assets where the cost to us of providing such pledge (or perfection thereof) would not be excessive in view of the related benefits to be received by the Issuer. In addition, movable inventory and the shares and assets of our non-Guarantor subsidiaries are excluded from the security securing the Notes. See "Description of the Notes—Security." If an event of default occurs and the indebtedness in respect of the Notes is accelerated, the Notes and the Guarantees will rank equally with the holders of other senior unsecured indebtedness of the relevant entity with respect to such excluded property.

To the extent that the claims against the Issuer exceed the value of the assets securing the Notes and other liabilities, those claims will rank equally with the claims of the holders of any of our other senior unsecured indebtedness and those claims may not be satisfied in full before the claims of our unsecured creditors are paid.

In addition, the security interest of the Security Agent will be subject to practical problems generally associated with the realization of security interests. For example, the Security Agent may need to obtain the consent or approval of a third party or governmental authority to obtain or enforce a security interest in a contract or permit or transfer or sell certain assets. The Security Agent may not be able to obtain any such consent or approval. In addition, the consents and approval of third parties and governmental authorities 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 security may significantly decrease.

Further, Postbank and other store transit bank accounts held by Guarantors will not be secured.

The Guarantees may be released without the consent of holders of the Notes.

On their date of issue, the Notes will be guaranteed by certain entities located in Luxembourg, Austria, Germany and the Netherlands. See "Description of the Notes—Note Guarantees" and "Certain Limitations on Validity and Enforceability." Additional restricted subsidiaries may in the future be required to guarantee the Notes on the terms set forth in the Indenture. For a more detailed description of the Guarantees, see "Description of the Notes—Note Guarantees" and "Description of the Notes—Certain Covenants—Additional Guarantees."

The Guarantees may be released in the circumstances described under "Description of the Notes—Note Guarantees," in which case you would not have a claim on the relevant Guarantor or its assets.

You may be unable to enforce judgments obtained in U.S. courts against the Issuer or any Guarantor.

The Issuer's and the Guarantors' directors and executive officers are non-residents of the U.S. As a consequence, you may not be able to effect service of process on these non-U.S. resident directors and officers in the U.S. or you may not be able to enforce judgments against them outside of the U.S. See "Enforceability of Judgments."

Since the assets of the Issuer and the Guarantors are held outside the U.S., any judgment obtained in the U.S. against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, additional amounts, if any, and any redemption price and any purchase price with respect to the Notes, will not be collectable within the U.S.

Certain jurisdictions may impose withholding taxes on payments under the Guarantees or security documents or impose foreign exchange restrictions that may reduce the amount recoverable by holders of Notes.

Payments made by certain Guarantors under their guarantees may be subject to withholding tax and other taxes, the amount of which will vary depending on the residency of the recipient and the availability of double-tax treaty relief.

In addition, foreign exchange controls applicable in certain jurisdictions may limit the amount of local currency that can be converted into other currencies (including U.S. dollars and euros) upon enforcement of the guarantee from, or any security provided by, such Guarantor.

Insolvency laws and other limitations on the Guarantees and the security may adversely affect their validity and enforceability.

Our obligations under the Notes will be guaranteed by, and secured by certain assets of, the Guarantors or their shares. The Guarantors are organized or incorporated under the laws of Luxembourg, Austria, Germany and the Netherlands. Although laws differ among these jurisdictions, in general, applicable fraudulent transfer and conveyance laws, equitable principles and insolvency laws and limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of the Guarantee and the security against a Guarantor or collateral provider. Courts may also in certain circumstances avoid the security or the Guarantee where the company is close to or in the vicinity of insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In insolvency proceedings, it is possible that creditors of the Guarantors, the collateral providers or the appointed insolvency administrator may challenge the Guarantees and security, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of a Guarantor's obligations under its guarantee or the security provided by us or such Guarantor;
- direct that the Issuer and/or the Noteholders return any amounts paid under a guarantee or any security document to the relevant Guarantor or to the respective collateral provider or to a fund for the benefit of the Guarantor's creditors or the collateral provider; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Guarantee or security is found to be a fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full

any amounts outstanding under the Notes. In addition, the liability of each Guarantor under its guarantee of the Notes and the liability of each collateral provider will be limited to the amount that will result in such guarantee or security not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside. The amount recoverable from a Guarantor or a collateral provider under the security documents will also be limited. However, there can be no assurance as to what methodology a court would apply in making a determination of the maximum liability of each Guarantor or each collateral provider and whether a court would give effect to such attempted limitation. Also, there is a possibility that the entire guarantee or security may be set aside, in which case, the Guarantor's or collateral provider's entire liability may be extinguished.

In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts typically may determine that, at the time the Guarantees were issued or security interests created, the Guarantor or collateral provider:

- issued such guarantee or created such security with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or issued such guarantee or created such security interest after its insolvency;
- received less than the reasonably equivalent value for incurring the debt represented by the Guarantees or security on the basis that the Guarantees or security were incurred for our benefit, and only indirectly for the Guarantor's or collateral provider's benefit, or some other basis and (1) was insolvent or rendered insolvent by reason of the issuance of the Guarantee or the creation of the security interest, or subsequently became insolvent for other reasons; (2) was engaged, or about to engage, in a business transaction for which the Guarantor's assets were unreasonably small; or (3) intended to incur, or believed it would incur, debt beyond its ability to make required payments as and when they would become due.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor or collateral provider generally may in different jurisdictions be considered insolvent at the time it issued a guarantee or created any security if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due (and it is unable to get further credit); or
- the present saleable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

We cannot assure you which standard a court would apply in determining whether a Guarantor or a collateral provider was "insolvent" as of the date the Guarantees were issued or security was created or that, regardless of the method of valuation, a court would not determine that we or a Guarantor were insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or a collateral provider was insolvent on the date the respective guarantee was issued or security was created, that payments to Noteholders constituted fraudulent transfers on other grounds.

An overview of the enforceability issues as they relate to the Guarantees and security documents is set forth under "Certain Limitations on Validity and Enforceability."

Corporate benefit, financial assistance, capital maintenance and liquidity protection laws and other limitations on the Guarantees and security may adversely affect the validity and enforceability of the Guarantees and security granted by the Guarantors.

The Guarantees and security granted by the Guarantors provide the holders of the Notes with a direct claim against the assets of the Guarantors and collateral providers. Each of the Guarantees and the amount recoverable under the security documents, however, will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor or collateral provider without rendering the guarantee or security interest, as it relates to that Guarantor, voidable or otherwise ineffective under applicable law, or without creating liability risks for the management of the relevant Guarantor or collateral provider. In some cases, where the amount that can be guaranteed or secured is limited by reference to the net assets, legal capital or the liquidity of the Guarantor or, as the case may be, collateral provider, such as in Germany or by the strict Austrian capital maintenance rules that amount may be zero or close to zero at the time of any insolvency or enforcement. In addition, enforcement of any of these Guarantees or security against any Guarantor will be subject to certain defenses available to Guarantors and security providers generally. These laws and defenses include those that

relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its guarantee or the security documents to which it is a party.

The issuance of the Notes could be wholly or partially avoided in an insolvency proceeding

If we become the subject of bankruptcy proceedings within a certain period after we consummate the Offering of the Notes and the court determines that we were insolvent at the time of the Offering of the Notes, a court could find that the issue of the Notes involved a preferential transfer by altering the status of participants from unsecured to secured creditors. As secured creditors, holders of the Notes could be entitled to receive a greater recovery in liquidation than the same holders would have been entitled to if those holders had not participated in the Offering. If the court determines that the granting of the security interest was therefore a preferential transfer that did not qualify for any defense under bankruptcy laws, then holders of the Notes would be unsecured creditors. In addition, under such circumstances, the value of any consideration holders received with respect to the Notes, including upon foreclosure of the security, could be subject to recovery from such holders and possibly from subsequent transferees.

The insolvency laws of Luxembourg, Germany, the Netherlands, Austria and other local insolvency laws 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 insolvency laws of Luxembourg may not be as favorable to holders as insolvency laws of jurisdictions with which investors may be familiar. The Issuer is incorporated in Luxembourg and its center of main interests may be regarded as being in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Luxembourg insolvency laws. For more information, see "Certain Limitations on Validity and Enforceability—Luxembourg." Pursuant to the Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "EU Insolvency Regulation"), if the center of main interests of the Issuer is located in any member state of the EU other than the member state in which the Issuer's head office is located, insolvency proceedings may also be initiated against the Issuer in such other member state.

There are a number of factors that are taken into account to ascertain the center of main interests, which should correspond to the place where the relevant debtor conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The point at which this issue will be determined is at the time when the relevant insolvency proceedings are opened. The determination of where the Issuer or any of the Company's subsidiaries have their "center of main interests" would be a question of fact on which the courts of the different EU Member States may have and had in the past differing and even conflicting views. Furthermore, "center of main interests" is not a static concept and may change from time to time.

Certain of the Company's (indirect) subsidiaries, including some of the Guarantors, are organized under the laws of Germany and are having their center of main interests in Germany. Consequently, in the event of an insolvency of any of these subsidiaries, insolvency proceedings with respect to these German subsidiaries would likely be initiated under, and be governed by, German insolvency law. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*), may be less favorable to your interests as creditors than the bankruptcy laws of the U.S. or another jurisdiction with which you may be familiar, including in respect of priority of creditors, the ability to obtain post-petition interest, the ability to influence the proceedings and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. The same applies to the insolvency laws of Austria and the Netherlands, where some of the Guarantors are incorporated. However, pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one Member State of the EU, the jurisdiction of the German courts may be limited if the company's "center of main interests" is found to be in a Member State other than Germany.

For a brief description of certain aspects of the EU Insolvency Regulation, the insolvency laws of Germany and the jurisdictions of the Guarantors, see "Certain Limitations on Validity and Enforceability."

We may not be able to fulfil our repurchase obligations in the event of a change of control.

Any change of control would constitute an event pursuant to which each lender under the Senior Facilities Agreement has the right to request early repayment. Therefore, upon the occurrence of a change of control, the

lenders under the Senior Facilities Agreement would have the right to terminate lending commitments and accelerate their loans and we would be required to prepay all of our outstanding obligations under the Senior Facilities Agreement.

Moreover, upon the occurrence of any change of control, we will be required to make a change of control offer under the Notes. If a change of control offer is made, there can be no assurance that we will have available funds sufficient to pay the change of control purchase price for any or all of the Notes that might be delivered by holders of the Notes seeking to accept the change of control offer and, accordingly, none of the holders of the Notes may receive the change of control purchase price for their Notes. Our failure to make or consummate the change of control offer or pay the change of control purchase price when due will give the trustee and the holders of the Notes the rights described under "Description of the Notes—Events of Default."

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

The Issuer is incorporated under the laws of Luxembourg. None of the members of the Issuer's management are residents of the U.S. and many of their assets are located outside the U.S. As a result, it may not be possible for investors to effect service of process within the U.S upon us or the members of management, or to enforce against the Issuer or them judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, we cannot assure you that civil liabilities predicated upon the U.S. securities laws will be enforceable in the Netherlands. See "Enforceability of Judgments."

You are restricted in your ability to transfer or resell the Notes without registration under applicable securities laws.

The Notes are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws of the U.S. Therefore, you may transfer or sell the Notes in the U.S. only in a transaction registered under or exempted from the registration requirements of the Securities Act and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. We have not agreed to grant registration rights to the Notes under the Securities Act or conduct an exchange offer for registered notes.

An active trading market may not develop for the Notes or may have particularly limited liquidity.

The Notes are new issues of securities. Although the Notes are expected to be eligible for trading on the Luxembourg Stock Exchange, there is no established public trading market for the Notes, and an active trading market may not develop. There may be limited liquidity of any trading market that does develop for the Notes. In addition, the liquidity of the trading market in the Notes and the market prices quoted for the Notes may be adversely affected by changes in the overall market for these types of securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a consequence, an active trading market may not develop for the Notes, holders of Notes may not be able to sell their Notes, or, even if they can sell their Notes, they may not be able to sell them at an acceptable price.

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

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

USE OF PROCEEDS

We plan to use the gross proceeds of the Offering and the contribution from funds advised by Apax to refinance all of the outstanding senior term loans under our Existing Senior Credit Facilities, together with unpaid interest and other amounts thereunder, and to pay commissions, fees and expenses estimated at approximately €36 million associated with the Offering and with the Senior Facilities. The net proceeds of the Offering, after deduction of underwriting commissions, were €512,948,100.

The following table sets forth the estimated sources and uses of the proceeds from the Offering:

Source of Funds	*(€ in millions)*	***Use of Funds***	*(€ in millions)*
Fixed Rate Senior Secured Notes offered hereby	378	Repayment of Existing Senior Credit Facilities[1]	579
Floating Rate Senior Secured Notes offered hereby	144	Estimated commissions, fees, accrued and PIK interest and other expenses[2]	36
Additional Shareholder Funding	100	Cash	7
Total Sources	622	Total Uses	622

1 Repayment of Existing Senior Credit Facilities excludes PIK interest and the roll-over of the existing revolving credit facility described below. The years of maturity for the loans to be repaid from the proceeds of the Refinancing are 2017 for the existing letter of credit facility, 2017 for senior term loan facility A and 2018 for senior term loan facility B. In addition to the repayment of senior term loan facility A and senior term loan facility B, upon closing of the Offering the existing revolving credit facility and the existing letter of credit facility will be rolled over into a new Revolving Credit Facility and a new L/C Facility with committed amounts of €85 million and of €190 million, respectively. Certain of the Initial Purchasers or their affiliates are lenders and arrangers under the Existing Senior Credit Facility and will be lenders and arrangers under the new Revolving Credit Facility and the L/C Facility.

2 Estimated fees and expenses associated with the Offering, the Refinancing and other related transactions, including Initial Purchasers' commissions and other fees and transaction costs. The final amounts of cash overfunding and hedging break costs will depend on the amount of Floating Rate Senior Secured Notes issued. Estimated fees and expenses comprise an amount of €15 million for the Offering, €11 million of cap and swap break costs and €10 million of accrued and PIK interest and other liabilities to bank.

CAPITALIZATION

The first column of the following table shows our consolidated capitalization and our cash and short term deposits as of January 31, 2013 derived from our accounting records.

The second column of the table is adjusted to reflect the Offering and sale of the Notes, the Refinancing and the entry into the Revolving Credit Facility, as if such events had taken place on January 31, 2013.

You should read this table in conjunction with the information in "Use of Proceeds," "Management's Discussion and Analysis of Our Financial Condition and Results of Operations" and the financial information included herein.

	January 31, 2013	
	Actual	*Adjusted*
	(unaudited) *(€ in thousands)*	
Cash and short term deposits[1]	24,274	31,553
Financial obligations[2]		
Senior term loan facility A[3]	154,000	0
Senior term loan facility B[3]	425,000	0
Revolving credit facility[4]	5,000	5,000
PIK interest[5]	5,113	0
Fixed Rate Senior Secured Notes offered hereby	0	380,000
Floating Rate Senior Secured Notes offered hereby	0	145,000
Other liabilities to bank[6]	1,998	0
Total third-party debt excluding finance leases[7]	591,111	530,000
Unamortized debt issuance costs[8]	(25,580)	(15,000)
Liabilities to bank excluding accrued interest	565,531	515,000
Financial liabilities from finance leases	41,159	41,159
Financial obligations[9]	606,690	556,159
net of unamortized debt issuance costs[8]	25,580	15,000
Subordinated shareholder loans[10]	360,137	460,137
Total equity[11]	289,090	273,582
Total capitalization	1,281,497	1,304,878

1 The change in adjusted cash and short term deposits compared to actual cash and short term deposits reflects cash overfunding of €7.2 million. Payments resulting from the repayment of the current financial structure are equal to €599.8 million in total (excluding revolving credit facility), which includes total third-party debt excluding finance leases in the amount of €586.1 million (excluding revolving credit facility), accrued interest in the amount of €3.7 million as well as costs relating to termination of interest rate swaps in an amount of €10.0 million. The final amounts of cash overfunding and hedging break costs will depend on final decisions on the hedging of the Floating Rate Senior Secured Notes issued.

2 Includes non-current and current liabilities to bank and financial liabilities from finance leases and excludes trade payables, subordinated shareholder loans as well as accrued interest.

3 Represents the nominal amounts of the senior term loan facility A and B being refinanced without taking PIK interest into account. The carrying amounts (net of unamortized debt issuance costs and including accrued interest and PIK interest) of the senior term loan facility A and B accounted for €150.4 million and €411.0 million, respectively, as of January 31, 2013.

4 At the closing of the Offering, the existing revolving credit facility and the existing letter of credit facility will be rolled over into the new Revolving Credit Facility and the L/C Facility with committed amounts of €85 million and of €190 million, respectively. Interest accrued under the existing revolving credit facility will be payable upon such rollover. As of January 31, 2013, we had utilized an aggregate principal amount of €5.0 million of cash drawings and bank guarantees in an aggregate principal amount of €9.5 million resulting in a residual availability of the revolving credit facility of €63.3 million. Bank guarantees under our existing revolving facility were mainly related to rent guarantees for store leases. We expect to roll over cash drawings and non-cash utilization on the Issue Date into the new Revolving Credit Facility. Cash drawings as of March 22, 2013 were €27.0 million. As of January 31, 2013 and consistent with past practice, all payments made by the issuing bank under documentary letters of credit issued under the existing letter of credit facility had been directly funded from our existing cash positions so that there was no financial indebtedness to be reflected above with respect to such letter of credit facility. As of January 31, 2013, our existing letter of credit facility was utilized in an amount of €117.0 million. As of March 22, 2013, this utilization was approximately €125 million. We expect to roll over utilization on the Issue Date into the new L/C Facility.

5 PIK interest refers to capitalized interest following the amendment and waiver in January 2012 in relation to the Existing Senior Credit Facilities: €1.2 million with respect to the senior term loan A, €3.1 million with respect to the senior term loan B, €0.2 million with respect to the existing revolving credit facilities and €0.6 million with respect to the existing letter of credit facility.

6 Other liabilities to bank include a €1.3 million liability resulting from the financing of an interest rate cap.

7 Total third-party debt excluding finance leases presented in this table excludes accrued interest in an amount of €3.7 million which relate to the senior term loan facility A (€0.9 million) and the senior term loan facility B (€2.8 million).

8 The unamortized debt issuance costs relate to the senior term loan facility A (€5.7 million) and the senior term loan facility B (€19.9 million), which are being refinanced. In addition, we had unamortized debt issuance costs as of January 31, 2013 of €9.3 million recognized as current other assets, which relate to our existing revolving credit facility and existing letter of credit facility. The decrease in unamortized debt issuance costs reflects the recognition of these unamortized debt issuance costs associated with senior term loan facility A and senior term loan facility B in the profit and loss compared to the capitalization of the debt issuance costs of €15.0 million relating to the Offering of the Notes hereby, not considering any tax effects.

9 Financial obligations represent financial indebtedness minus accrued interest in an amount of €3.7 million.

10 The €100.0 million increase in subordinated shareholder loans reflects the net cash proceeds of the issuance of Preferred Equity Certificates by Salsa Retail Holding DebtCo 1 S.à r.l. on or before the Issue Date.

11 The €15.5 million decrease in equity reflects the aggregate of (i) the recognition of unamortized debt issuance costs of €25.6 million associated with senior term loan A, senior term loan B, which are being refinanced, in profit and loss (not considering any tax effects) and (ii) the recognition of unamortized debt issuance costs of €9.3 million associated with the existing revolving credit facility as well as the existing letter of credit facility, which are being refinanced (which are recognized as current other assets) in profit and loss (not considering any tax effects), offset by write-offs of the negative market value on interest rate floors related to the senior term loans lead in an amount of €19.4 million (not considering any tax effects).

Expect as otherwise disclosed in this offering memorandum and associated with this Offering, the Issuer has no indebtedness, contingent liabilities or loan capital outstanding as of the Listing Date.

SELECTED FINANCIAL INFORMATION

Unless otherwise indicated, the following financial information for fiscal year 2010 has been extracted or derived from the audited combined financial statements as of and for the fiscal year ended April 30, 2010 of Takko Fashion G Eins GmbH, Telgte (Germany), Takko Fashion AT Holding GmbH, Vienna (Austria), Takko Fashion NL B.V., Oldenzaal (the Netherlands) and their respective directly and indirectly held subsidiaries (the "Takko Combined Entities"), which before the Acquisition were under common control of the former shareholder Advent Vision S.à r.l. since their initial acquisitions by this former shareholder, prepared in accordance with IFRS and taking into account the basis of preparation described in Note 1 to the combined financial statements and which are included in this offering memorandum (the "2010 Combined Financial Statements"). The financial information as of April 30, 2011 and for the short fiscal year 2011 has been extracted or derived from the consolidated financial statements of the Company as of April 30, 2011 and for the short fiscal year from December 7, 2010 to April 30, 2011 prepared in accordance with IFRS and included in this offering memorandum (the "2011 Consolidated Financial Statements"). The financial information for the twelve month period ended April 30, 2011 has been extracted or derived from the unaudited *pro forma* consolidated financial information of the Company for the twelve month period ended April 30, 2011, included in this offering memorandum (the "Unaudited 2011 Pro Forma Consolidated Financial Information"). The financial information for fiscal year 2012 has been extracted or derived from the audited consolidated financial statements of the Company as of and for the fiscal year ended April 30, 2012, prepared in accordance with IFRS and included in this offering memorandum (the "2012 Consolidated Financial Statements"). The financial information for the nine month periods ended January 31, 2013 and January 31, 2012 has been extracted or derived from the unaudited interim condensed consolidated financial statements of the Company as of and for the nine month period ended January 31, 2013, prepared in accordance with IFRS for interim financial reporting (IAS 34) and included in this offering memorandum (the "Unaudited 2013 Interim Consolidated Financial Statements").

The financial information for the twelve month period ended January 31, 2013 has been calculated by subtracting the figures for the nine month period ended January 31, 2012, derived from the Unaudited 2013 Interim Consolidated Financial Statements, from the figures for fiscal year 2012, derived from the 2012 Consolidated Financial Statements, and adding the figures for the nine month period ended January 31, 2013, derived from the Unaudited 2013 Interim Consolidated Financial Statements.

Financial information referred to in this offering memorandum as "audited" was taken or derived from our audited 2010 Combined Financial Statements, 2011 Consolidated Financial Statements or 2012 Consolidated Financial Statements. Financial information referred to in this offering memorandum as "unaudited" was taken or derived from our Unaudited 2013 Interim Consolidated Financial Statements, Unaudited 2011 Pro Forma Consolidated Financial Information or from our accounting records or internal management reporting systems.

The Unaudited 2011 Pro Forma Consolidated Financial Information has been prepared for illustrative purposes only. Since the Unaudited 2011 Pro Forma Consolidated Financial Information contains assumptions and uncertainties, it does not purport to represent what our actual results would have been had the Acquisition taken place on May 1, 2010 and is not an indication of what our results of operations, financial condition and cash flows will be in the future. Therefore, the Unaudited 2011 Pro Forma Consolidated Financial Information is only to a very limited extent comparable to the 2010 Combined Financial Statements, 2011 Consolidated Financial Statements and 2012 Consolidated Financial Statements. The Unaudited 2011 Pro Forma Consolidated Financial Information is only meaningful in conjunction with the Company's historical 2011 Consolidated Financial Statements.

Other than the non-IFRS data set forth below, the *pro forma* financial data set forth below and certain as adjusted information described below, the financial information included herein has been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"). For more information on the basis of preparation of this financial information, see "Presentation of Financial and Other Information," and the notes to the financial statements included elsewhere in this offering memorandum.

The following table shows selected financial data for the Company and the Takko Combined Entities, which were under common control of the former shareholder Advent Vision S.à r.l., as predecessor to the Company, for the periods indicated:

	Twelve month period ended January 31, 2013	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011 (pro forma)*	*Fiscal year ended April 30, 2010 (combined)*
			(€ in thousands, unless indicated otherwise)			
	(unaudited)	*(unaudited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*
Income Statement Data						
Net revenue	**1,051,501**	**803,180**	**792,033**	**1,040,354**	**938,535**	**789,896**
Cost of materials	(460,106)	(352,013)	(427,448)	(535,541)	(507,111)	(305,589)
Gross profit	**591,395**	**451,167**	**364,585**	**504,813**	**431,424**	**484,307**
Personnel expenses	(204,216)	(154,105)	(140,542)	(190,653)	(171,388)	(144,825)
Lease payments incl. costs for services	(175,268)	(133,365)	(120,999)	(162,902)	(143,013)	(129,547)
Marketing expenses	(41,317)	(31,195)	(47,997)	(58,119)	(58,415)	(52,971)
Other operating expenses / income	(66,102)	(49,231)	(56,494)	(73,365)	(78,719)	(54,563)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(54,833)	(45,734)	(31,944)	(41,043)	(34,864)	(34,686)
Operating result	**49,659**	**37,537**	**(33,391)**	**(21,269)**	**(54,975)**	**67,715**
Financial result	(94,072)	(63,782)	(69,044)	(99,334)	(67,643)	(44,387)
Profit or loss before taxes	**(44,413)**	**(26,245)**	**(102,435)**	**(120,603)**	**(122,618)**	**23,328**
Income taxes	(10,815)	(11,715)	45,373	46,273	33,759	(6,274)
Profit or loss for the period	**(55,228)**	**(37,960)**	**(57,062)**	**(74,330)**	**(88,859)**	**17,054**

Balance Sheet Data	*As of January 31, 2013 (unaudited)*	*As of April 30, 2012 (audited, unless otherwise indicated)*	*As of April 30, 2011 (audited, unless otherwise indicated)*	*As of April 30, 2010 (audited, unless otherwise indicated) (combined)*
		(€ in thousands, unless otherwise indicated)		
Cash and short-term deposits	24,274	55,157	45,742	69,292
Property, plant and equipment	164,744	165,931	161,999	150,773
Total assets	1,524,563	1,602,205	1,619,032	962,222
Financial indebtedness (unaudited)	610,395	636,317	635,043	489,500
Total liabilities	1,235,473	1,268,236	1,212,523	851,302
Total equity	289,090	333,969	406,509	110,920

	Twelve month period ended January 31, 2013	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011 (pro forma)*	*Fiscal year ended April 30, 2010 (combined)*
			(€ in thousands,unless indicated otherwise)			
	(unaudited)	*(unaudited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*
Cash Flow Data						
Net cash from operating activities	99,710	70,733	17,679	46,656	N/A	105,418
Net cash used in investing activities	(31,033)	(22,177)	(26,213)	(35,069)	N/A	(33,051)
Net cash used in financing activities	(117,287)	(79,360)	35,932	(1,995)	N/A	(51,310)

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

The following is a discussion of the financial condition and results of operations of the Company and the Takko Combined Entities in the periods set forth below. Accordingly, all references to "we," "us" or "our" are to the Company and its subsidiaries, or, with respect to the periods preceding the Acquisition, to the Takko Combined Entities. Except as otherwise indicated, the financial information in the following discussion for the nine month periods ended January 31, 2013 and January 31, 2012 has been extracted or derived from the unaudited interim condensed consolidated financial statements of the Company as of and for the nine month period ended January 31, 2013, prepared in accordance with IFRS for interim financial reporting (IAS 34) (the "Unaudited 2013 Interim Consolidated Financial Statements"), the financial information for fiscal year 2012 has been extracted or derived from the audited consolidated financial statements of the Company as of and for the fiscal year ended April 30, 2012, prepared in accordance with IFRS (the "2012 Consolidated Financial Statements"), the financial information for the twelve month period ended April 30, 2011 has been extracted or derived from the unaudited pro forma consolidated financial information of the Company for the twelve month period ended April 30, 2011 (the "Unaudited 2011 Pro Forma Consolidated Financial Information"), the financial information as of April 30, 2011 and for the short fiscal year 2011 has been extracted or derived from the audited consolidated financial statements of the Company as of April 30, 2011 and for the short fiscal year from December 7, 2010 to April 30, 2011, prepared in accordance with IFRS (the "2011 Consolidated Financial Statements"), and the financial information for the fiscal year 2010 has been extracted or derived from to the audited combined financial statements of the Takko Combined Entities as of and for the fiscal year ended April 30, 2010, prepared in accordance with IFRS and taking into account the basis of preparation described in Note 1 to the combined financial statements (the "2010 Combined Financial Statements"). See "Presentation of Financial and Other Information."

You should read this discussion in conjunction with our pro forma consolidated financial information and our historical consolidated or combined financial statements included elsewhere in this offering memorandum as well as the "Selected Financial Information." The following presentation and analysis contains forward looking statements that involve risks and uncertainties. For the reasons explained under "Forward Looking Statements," "Risk Factors" and for the reasons explained elsewhere in this offering memorandum, our future results may differ materially from those expected or implied in these forward looking statements.

Financial information referred to in this offering memorandum as "audited" was taken or derived from our audited 2010 Combined Financial Statements, 2011 Consolidated Financial Statements or 2012 Consolidated Financial Statements. Financial information referred to in this offering memorandum as "unaudited" was taken or derived from our Unaudited 2013 Interim Consolidated Financial Statements, Unaudited 2011 Pro Forma Consolidated Financial Information or from our accounting records or internal management reporting systems.

Overview

We are a leading European apparel retail group focused on the attractive value fashion segment, with more than 1,750 stores across 16 countries in Western, Central and Eastern Europe. We offer a wide range of private label apparel and accessories for women, men, and children, primarily targeting price-conscious, yet fashion-oriented families, with a focus on delivering high value for money with limited fashion risk. Our home market is Germany, where approximately 60% of our stores are located, and we also have a presence in 15 other European markets, including Austria, the Netherlands, the Czech Republic, Hungary, Romania, Poland and Slovakia. In addition, we have recently established a joint venture with a view towards entering the Russian market. Our geographic footprint gives us a basis in the attractive German market and the opportunity to benefit from the continued economic development of countries in Eastern Europe.

Since 2009, we have repositioned the Takko brand from a discount format towards a value fashion format with a refreshed and distinct brand appearance. To support this change, we have developed a strong focus on fashion-oriented, price-conscious customers and we have refurbished nearly all of our stores. At the same time, we continue to pursue a brand strategy to clearly distinguish our brands from trend-driven and young consumer-oriented apparel retailers which offer their products at relatively higher prices with a higher degree of fashion risk. We are a fashion follower trying to take relatively limited fashion risk in our collections. We believe that the "Takko" brand proposition is now well-established with our customer base, as can be seen from our market share in the German apparel retail market which grew from 1.5% in 2007 to 2.2% in 2012. To complement our strategy, we have also launched an additional store format called "1982," which is focused on selling fashion

basics in more urban locations. The "1982" stores are intended to offer a different store experience than the traditional Takko format due to the different product offerings and location of the stores.

We have a vertically integrated and scalable business model, with in-house design and sourcing capabilities, standardized store formats and long established ties to our key suppliers. We believe this approach allows us to capture a higher profit share as we do not share our margin with wholesalers and other intermediaries. Moreover, due to our lean and scalable business model, we are able to maintain and expand our store footprint with limited capital expenditure and working capital requirements, showing short payback times and a positive store contribution within a few months of a store opening. Our stores are located mainly in attractive out-of-city locations such as retail parks. This keeps our operating costs low and allows us to offer a convenient shopping experience to our target customers.

After having significantly grown our market share in the German apparel retail market in the period from 2007 to 2010 from 1.5% to 2.1%, our performance was stable in difficult market conditions, resulting in a further increase of our market share to 2.2% in 2011 and 2012. The past two years in particular were characterized by market-wide challenges posed by an increase in the cost of raw materials and wage inflation impacting our cost of materials as well as unfavorable consumer sentiment in many markets in which we operate. Our brand repositioning and our continued focus on cost efficiency have helped to partially mitigate the effects of these uncertain economic times. In fiscal year 2012, our net revenue grew by 10.8% from *pro forma* €938.5 million for the twelve month period ended April 30, 2011 to historical €1,040.4 million for fiscal year 2012, after an 18.8% growth from historical €789.9 million for the fiscal year 2010 to *pro forma* €938.5 million for the twelve month period ended April 30, 2011. In the twelve month period ended January 31, 2013, we realized 3.4% net revenue growth as compared to the twelve month period ended January 31, 2012. We generated net revenue of €1,051.5 million and Adjusted EBITDA of €128.2 million, with an Adjusted EBITDA Margin of 12.2% in the twelve month period ended January 31, 2013. We built on our track record of successful international expansion with our entry into several new markets, most recently into Italy and Serbia. We also established a joint venture with a view towards entering the Russian market during the course of 2013.

Reorganization of the Group

Funds advised by Apax acquired us on February 8, 2011 in the Acquisition. In the course of the Acquisition a new group structure has been put in place. Salsa Retail Holding DebtCo 1 S.à r.l. was incorporated as a *société à responsabilité limitée* on December 7, 2010 in Luxembourg.

Key Factors Affecting Comparability

Effects of the Acquisition

The Acquisition of the Group by Salsa Retail Holding TopCo S.à r.l. on February 8, 2011 has been accounted for using the purchase method. In accordance with IFRS 3, the identifiable assets, liabilities and contingent liabilities acquired were measured at their fair value as of the acquisition date. The fair value of the net assets acquired includes, among other things, a step-up of the values of the "Takko" and "1982" brands amounting to €143.3 million as well as a step-up of the inventories amounting to €151.5 million. The excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill and amounted to €951.5 million as of the date of the Acquisition. This valuation exercise requires the Company to step up the value of its inventories as recorded on its balance sheet to reflect the fair value at prevailing sales prices rather than their historical cost. The step-up amount of inventories is reflected as an increase in the cost of materials during the periods in which the respective inventories are consummated immediately following the business combination. The respective PPA adjustment does not have any impact on the Company's cash flows. For this reason, the Company has eliminated post acquisition profit or loss impact of the PPA adjustments for the Acquisition from its presentation of Adjusted EBITDA.

Adjustments in fair values resulting from the Acquisition are referred to herein as the "effects of the Acquisition." The effects of the Acquisition had a negative impact on our gross profit, operating result, profit or loss before taxes and profit or loss for the twelve month period ended April 30, 2011. Furthermore, the effects of the Acquisition have resulted in an increase of intangible assets with regard to brand values and in an increase of inventories.

The following table details the effects of the Acquisition and adjustments for one-time effects and reclassifications on our results for the twelve month period ended April 30, 2011 on a *pro forma* basis:

(€ in thousands, unless indicated otherwise)	Twelve month period ended April 30, 2011			
	pro forma	*PPA Adjustments*	*Adjustments for one-time effects and reclassifications*[1]	*pro forma, as adjusted*
		(unaudited)		
Income Statement Data				
Net revenue	**938,535**			**938,535**
Cost of materials	(507,111)	151,515	(118)	(355,714)
Gross profit	**431,424**	**151,515**	**(118)**	**582,821**
Personnel expenses	(171,388)		350	(171,038)
Lease payments incl. costs for services	(143,013)		65	(142,948)
Marketing expenses	(58,415)			(58,415)
Other operating expenses / income	(78,719)		31,775	(46,944)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(34,864)		(1,301)	(36,165)
Operating result	**(54,975)**	**151,515**	**30,771**	**127,311**
Financial result	**(67,643)**			
Profit or loss before taxes	**(122,618)**			
Income taxes	**33,759**			
Profit or loss for the period	**(88,859)**			

1 One-time effects and reclassifications include the following items:

- fees paid to advisors in connection with the Acquisition of €18.1 million;
- reclassification of costs of letters of credit which are presented in financial result as other operating expenses in an amount of €8.4 million; and
- miscellaneous other positions amounting to €4.3 million, which mainly refer to the residual expenses for the completion of the store refurbishment project in an amount of €4.1 million.

Preparation of the 2010 Combined Financial Statements, of the 2011 Consolidated Financial Statements and of the Unaudited 2011 Pro Forma Consolidated Financial Information

Unaudited 2011 Pro Forma Consolidated Financial Information

The 2011 Consolidated Financial Statements present the period from December 7, 2010 (when the Company was formed) to April 30, 2011 as a short fiscal year, which includes operational business from February 8, 2011 through April 30, 2011. The twelve month period ended April 30, 2011 is reflected in the Unaudited 2011 Pro Forma Consolidated Financial Information on a *pro forma* basis, as if the Acquisition had occurred on May 1, 2010. Except for the *pro forma* PPA adjustments in connection with the Acquisition, with regard to the operational financial data the Unaudited 2011 Pro Forma Consolidated Financial Information reflects the same business activities as the 2010 Combined Financial Statements. With regard to the impacts of the PPA, transaction-related costs, the financial result and income taxes, the Unaudited 2011 Pro Forma Consolidated Financial Information is not comparable with the prior years. The purpose of the Unaudited 2011 Pro Forma Consolidated Financial Information is to present the material effects that the Acquisition would have had on the historical consolidated financial statements of the Company if the structure of the Group had existed as created by the Acquisition throughout the entire period from May 1, 2010 to April 30, 2011. See "Presentation of Financial and Other Information."

Except as otherwise indicated, all information relating to the income statement for the twelve month period ended April 30, 2011, has been presented on a *pro forma* basis throughout this section to improve comparability with fiscal year 2010. Except as otherwise indicated, these line items have been derived from the Unaudited 2011 Pro Forma Consolidated Financial Information set forth elsewhere in this offering memorandum. These *pro forma* figures have not been audited and do not purport to represent what our actual results would have been had the Acquisition taken place on May 1, 2010.

The Unaudited 2011 Pro Forma Consolidated Financial Information has been prepared for illustrative purposes only. Since the Unaudited 2011 Pro Forma Consolidated Financial Information contains assumptions and uncertainties, it does not purport to represent what our actual results would have been had the Acquisition taken place on May 1, 2010 and is not an indication of what our results of operations, financial condition and

cash flows will be in the future. Furthermore, the Unaudited 2011 Pro Forma Consolidated Financial Information assumes that the structure of the Group including a fiscally unified structure had existed as created by the Acquisition as of May 1, 2010. Therefore, the tax loss carry-forwards are treated differently than the income tax calculations for the Unaudited 2013 Interim Consolided Financial Statements, 2012 Consolidated Financial Statement as well as the 2010 Combined Financial Statements. The usage of tax loss carry-forwards for the twelve month period ended April 30, 2011, is reversed and the impact of the fiscally unified structure is included. Therefore, the Unaudited 2011 Pro Forma Consolidated Financial Information is only to a very limited extent comparable to the 2010 Combined Financial Statements, 2011 Consolidated Financial Statements and 2012 Consolidated Financial Statements. The Unaudited 2011 Pro Forma Consolidated Financial Information is only meaningful in conjunction with the Company's historical 2011 Consolidated Financial Statements.

2010 Combined Financial Statements

Takko Fashion G Eins GmbH prepared the 2010 Combined Financial Statements, in accordance with IFRS and taking into account the basis of preparation described in Note 1 to the 2010 Combined Financial Statements in order to reflect the historical development of the results of our operations and financial condition of the Takko Combined Entities from May 1, 2009 through April 30, 2010.

On February 8, 2011, Advent Vision S.à r.l. sold Takko Fashion G Eins GmbH, Takko Fashion NL B.V. and Takko Fashion AT Holding GmbH and their respective subsidiaries to Salsa Retail Holding TopCo S.à r.l., a wholly owned entity of funds advised by Apax, and several other holding companies, including the Company. Therefore, Takko Fashion G Eins GmbH prepared the 2010 Combined Financial Statements in order to reflect the historical development of the results of operations and financial condition of the Takko Combined Entities from May 1, 2009 through April 30, 2010 excluding Advent Vision S.à r.l.

The 2010 Combined Financial Statements are based on the audited IFRS consolidated financial statements of Advent Vision S.à r.l. as of and for the fiscal year ended April 2010, the former holding company of the Group, which include Takko Fashion G Eins GmbH and its subsidiaries, Takko Fashion NL B.V. and its subsidiary and Takko Fashion AT Holding GmbH and its subsidiaries for the period presented.

For the purpose of preparing the 2010 Combined Financial Statements, all assets and liabilities and income and expense items directly relating to Advent Vision S.à r.l. were eliminated. In addition, all consolidation procedures relating to the elimination of transactions between Advent Vision S.à r.l. and the Takko Combined Entities except for the common control contribution made into Takko Fashion NL B.V. after the acquisition of the Takko business in 2007 were reversed. In line therewith, all transactions between Advent Vision S.à r.l. and the Takko Combined Entities reflected in the Combined Financial Statements are disclosed and described as related party transactions in the 2010 Combined Financial Statements. All intergroup balances, intergroup income and expenses and unrealized gains and losses resulting from intergroup transactions between the Takko Combined Entities have been eliminated and are, thus, not reflected in the 2010 Combined Financial Statements.

The Combined Financial Statements include the effects of the PPA in connection with the acquisition of our business by Advent Vision S.à r.l. in August 2007, as the 2010 Combined Financial Statements are based on historical financial information used in the IFRS consolidated financial statements of Advent Vision S.à r.l. as of and for the fiscal year ended April 2010. Advent Vision S.à r.l. directly held each of Takko Fashion G Eins GmbH, Takko Fashion NL B.V. and Takko Fashion AT Holding GmbH, and indirectly their respective subsidiaries. Advent Vision S.à r.l. functioned as a holding company and provided financing facilities to us in the form of shareholder loans. Advent Vision S.à r.l. did not perform any material management services or other headquarters functions for its subsidiaries. Therefore, no overhead expense and income allocations were required in connection with the preparation of the 2010 Combined Financial Statements.

The Combined Financial Statements have been prepared on a historical cost basis of accounting, i.e., all assets and liabilities were reflected at their carrying amounts, except for derivative financial instruments, which were measured at fair value. The 2010 Combined Financial Statements do not necessarily reflect the historical consolidated financial information and performance of Takko Fashion G Eins GmbH as if it had acquired Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. and had prepared consolidated financial statements for our companies in the past.

2011 Consolidated Financial Statements

On February 8, 2011, funds advised by Apax acquired the Takko Combined Entities via Salsa Retail Holding TopCo S.à r.l., a wholly owned entity of funds advised by Apax, and several other holding companies, including

the Company. The Acquisition was partly funded by senior term loans granted to the Company (one of the acquisition holding companies) by a bank consortium on the basis of a senior facilities agreement dated December 23, 2010. Therefore, we prepare our 2011 Consolidated Financial Statements at the level of the Company, Salsa Retail Holding DebtCo 1 S.à r.l. Thus, the 2011 Consolidated Financial Statements comprise the new acquisition holding companies Salsa Retail Holding DebtCo 1 S.à r.l., Salsa Retail Holding DebtCo 2 S.à r.l., Takko Fashion GmbH, Takko Fashion Austria GmbH and Takko Holding Netherlands B.V. as well as (from February 8, 2011) the Takko Combined Entities reflected in the 2010 Combined Financial Statements.

Segment Reporting

We are comprised of three segments: Germany, Western and Central Europe, and Eastern Europe. Our segment reporting is defined according to geographical regions, since they represent our main operating units and are subject to monitoring and internal steering by our management. For the purposes of segment reporting, the individual countries in which we operate are allocated to the regions Germany, Western and Central Europe (the Netherlands, Belgium, Austria, Italy and Switzerland) and Eastern Europe (Hungary, Romania, Poland, Slovenia, Croatia, Estonia, Lithuania, the Czech Republic, Serbia and Slovakia).

For the purposes of segment reporting, the income statement and balance sheet data of the relevant national legal entities forming a segment are aggregated. As a general principle, country-related income and expenses are directly allocated to the respective national legal entity. The country-related net revenue is based on external net revenue, i.e. net revenue excluding net revenue generated through deliveries among Group entities (so-called internal net revenue), primarily effected by Takko Holding GmbH through which our central distribution is performed. The country-related cost of materials so allocated in each case include an intercompany compensation for services performed by our central sourcing department and other costs related to the purchase and delivery of merchandise. We also allocate overhead expenses such as expenses for central IT, cashier systems and central coordination of marketing to the various national legal entities. Such intercompany cost allocations are eliminated for the purposes of segment reporting. In addition, the non-operating entities and the consolidations to be undertaken at group level are presented in a reconciliation column (*Überleitung*).

In September 2010, we entered the Italian market, which has been assigned to the Western and Central Europe segment. In May 2011, we entered the Serbian market which has been allocated to the Eastern Europe segment.

We also generated net income from commission and franchise transactions relating to cooperation agreements concluded with franchise partners in certain European countries. In our segment reporting, income from commission and franchise transactions is allocated to the Germany segment irrespective of the country in which the store is located and operated on the basis of a cooperation agreement.

Significant Factors Affecting Our Results of Operations

Our results of operations have been affected in fiscal year 2010, the twelve month period ended April 30, 2011, fiscal year 2012 and the nine month period ended January 31, 2013 and are expected to continue to be affected, by the following principal factors relating to our business:

Expansion through New Store Openings

We operate more than 1,750 stores across Germany, Western and Central Europe and Eastern Europe. Our historical growth has been influenced significantly by the store expansion in Germany and abroad. Over the last five years, we have entered on average two new countries per year. From May 1, 2009 until January 31, 2013, we opened 475 new stores on a net basis (612 store openings and 137 store closures). During fiscal year 2012, we opened 179 new stores on a gross basis (144 on a net basis). The expansion has focused on markets in Western and Central Europe as well as in Eastern Europe with approximately two thirds of the net store openings occurring outside of Germany, increasing the share of net revenue generated outside Germany from 30.4% in fiscal year 2010 to 34.5% in fiscal year 2012. In the medium term, we plan to continue our store expansion strategy. The overall pace and geographic split of our expansion will be driven by the opportunities that we see in the various markets.

All new store projects are systematically evaluated according to our specific store location and real estate requirements. We believe that we have substantial store roll-out expertise and efficient processes in place to further penetrate existing markets and to enter new markets.

We have a strong geographic presence in Germany, with 1,073 stores as of January 31, 2013 and a share of 64.4% of our total net revenue in the twelve month period ended January 31, 2013. We believe there remains significant potential for new store openings in Germany. In Western and Central Europe, as of January 31, 2013, we operated 300 stores, which generated a share of 15.7% of total net revenue in the twelve month period ended January 31, 2013. In Western and Central Europe, in September 2010, we added Italy as a new market and believe that a number of other Western and Central European countries offer further expansion potential. In Eastern Europe, as of January 31, 2013, we operated 414 stores, which generated a share of 19.9% of total net revenue in the twelve month period ended January 31, 2013. In the Eastern Europe segment, we identified substantial growth potential in countries where we already have an existing presence. In addition, we identified new, less mature markets in Europe, such as Serbia, which we entered in May 2011. We have also recently established a joint venture with certain co-investors, including the founder of the Russian supermarket chain Kopeka, with a view towards entering the Russian market. Under the terms of the joint-venture agreement, we will contribute approximately 5% of the required investment in cash, and own 33% of the equity interests in the joint venture.

The following table presents the number of stores per country for the dates indicated:

	As of January 31, 2013	*As of January 31, 2012*	*As of April 30, 2012*	*As of April 30, 2011*	*As of April 30, 2010*
Germany*	1,073	1,036	1,054	1,014	969
Austria	123	115	119	115	115
Switzerland	21	16	18	10	6
The Netherlands*	102	84	95	73	59
Belgium	15	10	11	8	4
Italy	39	27	28	11	0
Czech Republic	111	98	101	93	85
Hungary	58	62	61	57	53
Slovakia	50	41	42	39	27
Romania	62	54	56	47	35
Poland	65	57	59	45	28
Slovenia	18	16	17	15	12
Lithuania	13	11	13	11	8
Estonia	8	6	6	5	4
Croatia	23	19	20	16	7
Serbia	6	3	3	0	0
Total	**1,787**	**1,655**	**1,703**	**1,559**	**1,412**

* Including "1982" stores.

The opening of a new store leads to an increase in personnel expenses as well as in lease costs (lease payments) for the respective premises and requires initial capital expenditure, for most stores, between approximately €100,000 and €150,000 per classic Takko store and €300,000 to €450,000 per "1982" store, relating to, among other things, store fittings, cash registers, dressing rooms and equipment for the presentation of the apparel. However, the store expansion leads to economies of scale, for example with respect to corporate overhead personnel, thereby reducing the personnel expenses in relation to net revenue. New stores generally deliver a positive Store Contribution within a few months after their opening, while the payback period (the time needed to cover our initial capital expenditures) is generally twelve to eighteen months. The following table presents net revenue of our stores by vintage and sales area:

	Stores opened in:					
	Fiscal year 2012	*Twelve Month Period ended April 30, 2011*	*Fiscal year 2010*	*Fiscal year 2009*	*Older*	*Total*
			(unaudited)			
Net revenue for nine month period ended January 31, 2013[1] (in € thousands)	72,224	76,891	63,007	71,653	486,528	770,303
Sales area (in square meters)[2]	76,203	74,834	61,976	79,132	551,234	843,379
Net revenue per square meter (in €)	948	1,027	1,017	905	883	913
Net revenue per square meter indexed (in %)[3]	104	112	111	99	97	100

1 Includes stores opened until May 1, 2012 but excludes stores closed in the nine month period ended January 31, 2013.

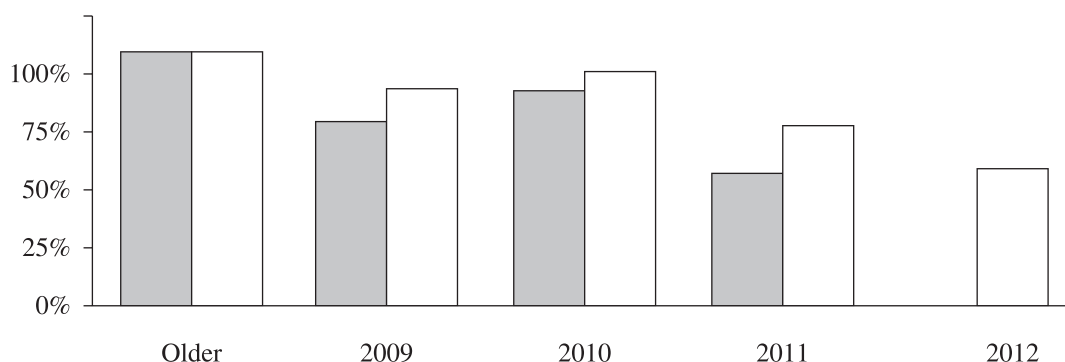
2 Sales area of stores means gross sales area, defined as total rented space, less storage space, staff rooms, bathrooms and corridors.

3 Compares net revenue per square meter of each individual vintage to store Group average net revenue per square meter (based on a Group average index of 100%) for the respective periods.

In terms of net revenue, newly opened stores generally perform consistently with our already existing stores. In particular, in terms of indexed sales per square meter of sales area in the nine month period ended January 31, 2013, stores opened in fiscal year 2009 (99%), stores opened in fiscal year 2010 (111%), stores opened in the twelve month period ended April 30, 2011 (112%) and stores opened in fiscal year 2012 (104%) performed in line with previous vintages (97%) as well as with our Group average.

In terms of Store Contribution Margin, vintages that opened prior to the end of fiscal year 2010 generally operate at a higher Store Contribution Margin than younger vintages. In our opinion, four main factors may explain the difference between these Store Contribution Margins. First, younger vintages are still in their ramp-up phase during which they optimize processes and build up their customer base. Second, older vintages benefit, on average, from the closure or subleasing of underperforming stores, which does not yet affect younger vintages. Third, when entering a new geographic market we typically need some time to optimize which store format (in terms of size, location and product mix) is best suited for that market. Fourth, younger vintages have a higher share of city center locations as well as shopping center locations, which are generally less profitable than commercial retail parks but have the potential for higher sales productivity due to higher customer footfall. Younger vintages typically include a larger number of "1982" stores, which in the aggregate generate above-average net revenue per square meter but a below-average Store Contribution Margin.

The following table presents the performance of Store Contribution Margin of various store vintages for the nine month period ended January 31, 2013 (in white) and for fiscal year 2012 (in grey), as compared to the average Store Contribution Margin of the Group (based on an average Group index of 100%) for each vintage opened in fiscal year 2012, the twelve month period ended April 30, 2011, fiscal year 2010, fiscal year 2009 as well as all older vintages.



The Store Contribution Margin for the nine month period ended January 31, 2013 includes stores opened until May 1, 2012 but excludes store closures thereafter, while the Store Contribution Margin for fiscal year 2012 includes stores opened until May 1, 2011 but excludes store closures thereafter.

Net Store Openings in the Current Fiscal Year: We estimate that newly opened stores in the twelve month period ended January 31, 2013 represent a potential for an incremental €5 million to €7 million Store Contribution (excluding overhead) on an annualized basis. This estimated Store Contribution would not directly translate into an increase in our Adjusted EBITDA, and is based on annualizing the Store Contribution of the 169 stores opened during the period. For stores open for less than ten months, we added, on a per-store basis, actual sales performance (for the months the store has been open) and projected sales performance, by applying the general Takko seasonal sales curve to the months the store has not been open. For stores open for ten months or more, we annualized actual sales performance. This estimate also reflects the elimination of the negative Store Contribution of the 37 stores which were closed during the period.

Diverse Market Dynamics

The markets in which we operate exhibit different growth and profitability dynamics.

While mature markets such as Germany and Western and Central Europe are characterized by higher per capita spending and higher purchasing power, these markets are largely saturated which means that growth is mainly driven by gaining market share from other retail formats and other segments of the apparel market. Eastern European markets grow, in general, as a result of macroeconomic growth and increasing disposable income but are still characterized by lower per capita spending and lower purchasing power. Furthermore, Eastern European markets have also been undergoing changes in the retail landscape with the replacement of traditional retailers with new sales formats such as value fashion retailer chains (see below "Industry").

Our stores in Germany are mainly located in commercial retail parks with limited competition, thus allowing for higher profitability. As the German commercial retail park space is largely saturated, a larger number of new stores are located closer to city centers or in shopping center locations, which typically face more competition. Therefore, these stores are slightly less profitable than stores in commercial retail parks, requiring us to adapt our processes to become more efficient in these locations.

Net revenue development in the Western and Central Europe segment is mainly driven by developments in the Austrian market where the majority of our stores in this segment are located. The Austrian market is similar to the German market in terms of store locations and has slightly outperformed the Germany segment in net revenue development in the years up until fiscal year 2012. This was mainly due to a favorable macro-economic climate in which our stores performed particularly well, resulting in a more pronounced increase in sales following the operational and strategic initiatives we implemented. The situation reversed in the nine month period ended January 31, 2013 during which Austria underperformed the Group averages in terms of LfL performance as promotional activity was reduced there during this time. Our operations in the Netherlands have, in recent years, been challenged by unfavorable macro-economic trends including wavering consumer sentiment following various tax increases and cuts in social benefits. Further, we entered the Italian market in September 2010 and have been able to navigate its unfavorable macro-economic conditions, but are still in the process of ascertaining which sites are best suited to the Takko store model.

Net revenue development in the Eastern European segment is mainly driven by developments in the Czech, Slovakian, Polish, Romanian and Hungarian markets, where the majority of our stores in this segment are located. In the nine month period ended January 31, 2013 the Czech Republic showed a similar development as the Austrian market described above. The financial crisis was particularly severe in Hungary and Romania, resulting in continuous underperformance of LfL net revenue in both countries. However, unlike Romania, the Hungarian market is beginning to see the first signs of recovery. In addition, as the number of commercial retail parks increases in Poland, we see additional expansion opportunities in this country.

New Brand Identity Program

In recent years, we have implemented operational and strategic initiatives focused on the introduction of a new brand identity, more standardized store lay-outs, continuous improvement of the assortment range, roll-out of new product displays, improvement of visual merchandizing and marketing concepts, as well as the usage of professional space management. In particular, in fiscal year 2010, we initiated a comprehensive store refurbishment and re-launch program involving more than one thousand Takko stores. In order to attract new customers and improve the brand perception of our existing customers, we addressed the refurbishment backlog of older stores to align the Takko look and store layout with our new brand image. This store refurbishment and re-launch program was part of our repositioning strategy from a discount to a value retailer and has supported like-for-like ("LfL") net revenue growth particularly in Germany and Western and Central Europe. This repositioning strategy is still one of our most important strategic priorities and demands continuing effort. We are currently working on further improvement initiatives regarding our store fittings, store furniture and product carriers as well as shop windows.

Adjusted Gross Margin Development

Our results of operations are significantly influenced by the adjusted gross profit (defined as net revenue minus cost of materials, as adjusted for inventory effects from the PPA, reversal of inventory provisions and gains and losses arising on revaluation of inventories) achieved. Our adjusted gross margin (defined as adjusted gross profit as a percentage of net revenue) is affected by the level of purchase prices, fluctuations of the U.S. dollar exchange rate against the euro, raw material prices, freight costs, realized selling prices as well as mark-downs. The raw materials used to manufacture our products are subject to availability constraints and price volatility caused by various factors including, but not limited to, demand for fabrics, weather, supply conditions, government regulations and wage rates.

More generally, our adjusted gross margin benefits from our fully vertically integrated business model which ensures control of the supply chain from product development and direct sourcing to management of sales areas. This enables us to secure a larger portion of our margin rather than sharing our profits with various intermediaries. We believe that we operate an efficient supply chain with in-house design teams and significant low-cost country sourcing in Asia. The previous operators of our business established a direct sourcing organization in 2005, and the share of direct sourcing amounted to 83% in fiscal year 2010, 80% in the twelve month period ended April 30, 2011, 85% in fiscal year 2012 and 83% in the nine month period ended January 31, 2013. In the future, we expect to continue to rely primarily on direct sourcing, with the expected share of sourcing from vertical partners varying between 10% and 30% of the cost of sales, depending on the composition of our product assortment.

In addition, our adjusted gross margin also depends on our product, price or assortment strategy. For example, the adjusted gross margin of the “1982” store format is generally lower than that of the classic Takko stores due to the lower price level of the assortment. Absolute net revenue per “1982” store, however, is generally higher compared to classic Takko stores, in particular due to the larger size of the stores and the higher pedestrian footfall in the store locations. We also believe that a more disciplined pricing strategy can reduce the level of required mark-downs in our stores. In 2012, we introduced a structured monthly price benchmark vis-à-vis our competitors. This allows us to react to price movements of our competitors in a timely manner.

The following table presents a reconciliation of our adjusted gross margin to our net revenue for the periods indicated:

Reconciliation of Net Revenue and Adjusted Gross Margin	*Twelve month period ended January 31, 2013*	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011 (pro forma)*	*Fiscal year ended April 30, 2010 (combined)*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(audited, unless otherwise indicated)*	*(unaudited)*	*(audited, unless otherwise indicated)*
	(€ in thousands, unless otherwise indicated)					
Net revenue	1,051,501	803,180	792,033	1,040,354	938,535	789,896
Cost of materials	460,105	352,013	427,448	535,540	507,111	305,589
Inventory effects from PPA	—	—	68,961	68,961	151,515	—
Reversal of inventory provisions[1]	—	—	—	—	(117)	(1,241)
Losses (gains) arising on revaluation of inventories[2]	13,840	6,050	7,678	15,468	—	—
Adjusted cost of materials (unaudited)[3]	**446,265**	**345,963**	**350,809**	**451,111**	**355,713**	**306,830**
Adjusted cost of materials ratio (unaudited)[4]	**42.4%**	**43.1%**	**44.3%**	**43.4%**	**37.9%**	**38.8%**
Adjusted Gross Profit (unaudited)[5]	**605,235**	**457,217**	**441,224**	**589,243**	**582,822**	**483,066**
Adjusted Gross Margin (unaudited)[6]	**57.6%**	**56.9%**	**55.7%**	**56.6%**	**62.1%**	**61.2%**

1 As an extraordinary effect in fiscal year 2010, we partially reversed a write-down on inventories related to denim products and other trousers, as the original write-down proved to be too conservative. This write-down was recognized solely in connection with a jeans re-launch campaign in the summer of 2009. The normalization solely reflects the provision release relating to this write-down.

2 Losses (gains) arising on revaluation of inventories reflect gains or losses arising from the revaluation of our inventories and resulting provisions. Management makes this adjustment in monitoring the performance of the business because it has no cash impact and does not affect actual sourcing costs, and therefore management believes including this adjustment gives a better view of the operating performance of and cash flow generation by the business. In addition, we currently report our financial performance to our existing investors with this adjustment and management therefore believes that this is a metric that investors find useful in assessing the performance of the business. Due to a change in our presentation of Adjusted EBITDA and Adjusted Gross Profit for fiscal year 2012, Adjusted Gross Profit for the twelve month period ended April 30, 2011 and the fiscal year ended April 30, 2010 do not include any such adjustments for revaluations of inventory. The change in our presentation of Adjusted EBITDA during fiscal year 2012 was related to changes in our internal reporting, as well as changes in our external reporting under the Existing Senior Credit Facilities. According to our internal estimates the effect of revaluation of inventories for the twelve month period ended April 30, 2011 would have resulted in a slightly positive contribution to Adjusted EBITDA and, for the fiscal year ended April 30, 2010, in an Adjusted EBITDA contribution of less than €10 million.

3 Adjusted cost of materials is defined as cost of materials adjusted for effects from the PPA, reversal of inventory provisions and gains or losses arising on revaluation of inventories.

4 Adjusted cost of materials as percentage of net revenue.

5 Adjusted Gross Profit is defined as net revenue minus adjusted cost of materials.

6 Adjusted Gross Profit as percentage of net revenue.

Mainly as a result of the factors mentioned above, our adjusted gross margin amounted to historical 61.2% in fiscal year 2010, *pro forma* 62.1% in the twelve month period ended April 30, 2011, historical 56.6% in fiscal year 2012, historical 57.6% in the twelve month period ended January 31, 2013, historical 55.7% in the nine month period ended January 31, 2012 and historical 56.9% in the nine month period ended January 31, 2013. The small increase from fiscal year 2010 to the twelve month period ended April 30, 2011, was mainly due to a decrease in the level of mark-downs. The significant decrease from the twelve month period ended April 30, 2011 to fiscal year 2012 was mainly attributable to a strong increase in cotton prices, as well as a steady increase in the cost of labor in the countries in which we source our products, such as China, India, Bangladesh and Sri Lanka. Additionally, weaker than expected consumer sentiment and adverse weather patterns led us to implement significant promotional activities and mark-downs in the months of October, November and December 2011. In spite of these promotional activities and mark-downs, we ended fiscal year 2012 with excess inventory. In particular, we carried 20-30% off-season merchandise during the period of fall and winter 2012, in comparison to a regular level in the range of 10% to 20%. Our stores were therefore required to offer off-season merchandise in the nine month period ended January 31, 2013, which reduced the overall assortment attractiveness (see "—Key Performance and Financial Measures—Static Like-for-Like Net Revenue") and resulted in further mark-down decisions. In spite of these developments, our adjusted gross margin improved slightly in the nine month period ended January 31, 2013 due to a significant decrease in cotton prices, which was partly offset by the higher mark-downs and margin dilution following the inventory overhang described above. On a net basis, our adjusted gross margin improved by 1.2 percentage points from the nine month period ended January 31, 2012 to the nine month period ended January 31, 2013.

Developments in Product and Supply Chain Management

Our ability to reflect current mainstream fashion trends in our collections, to flexibly adopt in-season trends and to deliver products to our stores in a timely and efficient manner have a significant impact on our results of operations.

Approximately 80% to 90% of the fashion collection is created by our product management and design teams. We believe that in-house product design allows flexibility to adopt in-season trends and independence from intermediaries. Prior to a product launch, the profitability of a product is calculated by the product manager and a feasibility study is performed. We have established feedback loops to provide the product management team and the design team with regular input from store management.

Furthermore, we have initiated several measures to make store logistics more efficient and to prevent items from going out-of-stock. For example, items have been delivered to the vast majority of our stores at the same point in time through an "In Shop Week" concept since the beginning of 2010. We are currently performing a comprehensive review of our supply chain policies with a view towards establishing more demand-driven policies and improving the inventory allocation across our stores. In addition, we opened a storage facility in Winsen (Luhe) near Hamburg, Germany, in June 2011, which fulfills the function of a central storage as well as of a fourth distribution center. We believe that using a central storage facility provides broader flexibility with regard to the merchandise allocation, enabling us to react more flexibly to specific merchandise demands of the stores.

Such measures may reduce the level of our mark-downs but may also increase our costs. Furthermore, if such measures do not prove successful and in particular if our collections do not reflect mainstream fashion trends in a timely manner or if we are not able to deliver products to our stores at the right point in time, this may significantly influence our results of operations.

Currency Fluctuations

We report our financial results in euro, but the majority of our cost of materials (approximately 70% in the nine month period ended January 31, 2013) is incurred in other currencies, predominately in U.S. dollars. Furthermore, a certain part of our net revenue (approximately 18% in the nine month period ended January 31, 2013) is recorded in currencies other than the euro or U.S. dollar, mainly in the Czech koruna, the Hungarian forint, the Romanian leu, the Polish złoty, the Swiss franc and the Croatian kuna. Therefore, our results of operations are affected by both transactional and translational foreign exchange risks.

We have adopted a policy of entering into currency forward transactions as well as options to hedge transactional currency exposure related to our merchandise purchases from Asia that are primarily concluded in U.S. dollars. The euro/U.S. dollar currency exposure is generally managed based on a rolling 18 month hedging

strategy to mitigate fluctuations of the purchase price or other purchase-related costs. We seek to ensure that a certain minimum percentage of projected U.S. dollar payments is hedged, such minimum percentage at any time being 90% for the first six months, 50% to 75% for months seven to twelve and up to 50% from months 13 to 18. This hedging policy mitigates our exposure to short-term currency volatility. See also "—Quantitative and Qualitative Disclosure of Market Risks—Currency Risks."

General Economic Conditions and Industry Environment

Our results of operations are affected by global economic conditions as well as specific economic conditions in the markets in which we operate. Such conditions include levels of employment, inflation, growth in gross domestic product, real disposable income, currency exchange and interest rates, the availability of consumer credit, consumer confidence and consumer willingness to spend. In recent years, we believe that uncertainty around sovereign debt and more specifically a fear that the governments of countries such as Greece, Portugal, Ireland, Spain and Italy would default on their financial obligations, has had a negative effect on consumer sentiment in the markets in which we operate. On the one hand, consumer purchases of discretionary items such as apparel and accessories generally decline in such an unfavorable economic environment, especially when disposable income has decreased while, on the other hand, there may be an opportunity for low price and value fashion players to capture market share from higher end retailers. We believe that the increasing geographic diversification of our business as a result of continuous expansion mitigates the impact of changes in local and regional economic conditions. However, particularly if these changes are pronounced or long-lasting, such changes can significantly affect our business and results of operations.

Furthermore, disregarding volume effects from our expansion, we may from time to time experience increases in costs which may be pronounced or long-lasting and we may be unable to pass on all or the majority of the increased costs to our customers, because of price expectations of consumers or further increasing competition in the value fashion market. In such case, cost increases driven by general economic conditions and the industry environment may have a significant adverse effect on our business and results of operations.

Seasonal Effects

Seasonality and seasonal trends are typical for the apparel retail industry. We offer seasonal collections, with the first items of the autumn/winter collections typically offered from July onwards and the first items of the spring/summer collections typically offered from December onwards. Thus, our business is subject to seasonal peaks, although in our view not to the same extent as the business of higher priced retailers that are located predominantly on the high street or in shopping centers. As a result, the net revenue and profits for individual fiscal quarters are not directly comparable with each other and cannot be annualized to project the results for the full fiscal year. The typical net revenue development is characterized by higher net revenue levels in regular seasons (March to June and September to December) and lower net revenue levels during periods of summer or winter sales (July to August and January to February). Contrary to their importance for high street retailers, Christmas sales typically have a less significant impact on our business due to the fact that our products are not usually purchased as Christmas gifts. Our net revenue and profit can also be affected by weather conditions; for example, unusually cold temperatures in autumn or early winter may support sales of the autumn/winter collection. As a result of those seasonal effects, any factors that harm our operating results in the spring or autumn, including adverse weather or unfavorable economic conditions, will affect our financial condition and results of operations for the entire fiscal year.

The seasonality effect is also reflected in our liquidity, with a certain lag time due to the payment terms for the import of merchandise from Asia (with payments on average coming due within 100 to 130 days from shipment). We believe that our liquidity management is generally suitable to address these peaks. However, particularly if these fluctuations become more pronounced, this may result in increased financing needs leading to an increase in interest expenses and, if further financing should not be available, our business may be adversely affected due to restrictions on working capital and capital expenditures. Thus, such fluctuations can have a significant impact on our liquidity and results of operations.

Innovation

Our results of operations are affected by our ability to adapt to new product demands and to the needs of our customers.

In particular, we have invested in direct marketing and communication through our website, but have not yet implemented an e-commerce platform. We believe that selling our products online represents an opportunity for

further growth by giving us the ability to significantly expand our customer base and benefit from cross channel synergies. Launching an e-commerce platform is one of our key priorities, and we are currently starting preparation work for the launch of an e-commerce platform in Germany.

In recent years, in addition to the classic Takko store format, we have developed a store concept under the brand "1982" (in reference to the year we were founded). In comparison to the classic Takko store, the "1982" format is focused on fashionable basics, lower price points, a larger store format, a narrower product offering and store locations with high pedestrian footfall (in particular city center locations and shopping centers). The "1982" concept is complementary to the classic Takko format. As of January 31, 2013, we operated 25 stores under the "1982" retail brand. Although "1982" stores generally record lower margins than classic Takko stores, they generate higher sales levels resulting from the larger size of the stores and the higher pedestrian footfall in the store locations.

Finally, we have terminated the agreement with our "bee line" partner with effect as of December 31, 2013 (April 30, 2013 in Poland), and are planning on in-sourcing the sale of fashion jewelry in the future. Applying the adjusted gross margin from the sale of our in-house fashion jewelry to our external net sales relating to the "bee line" product line in fiscal year 2012 could potentially result in a positive contribution to adjusted gross margin in the range of €5 million to €6 million per fiscal year (not taking into account overhead effects of the in-sourcing of the product line), although this reflects a hypothetical benefit based on assumptions, in particular regarding sales performance and implied margin, which may not materialize in the future.

Key Performance and Financial Measures

EBITDA and Adjusted EBITDA

EBITDA is defined as the profit or loss before taxes (EBT) plus financial result as well as depreciation, amortization and impairment of property, plant and equipment and intangible assets. Our management uses EBITDA and, in particular, Adjusted EBITDA as well as Adjusted EBITDA Margin (expressed as a percentage of net revenue) for internal management purposes and as an indicator of the sustainable profitability of our operating segments. In addition, under our existing credit facilities agreement, we have had to comply with covenants related to certain performance indicators based on EBITDA including similar adjustments and, therefore, monitor Adjusted EBITDA development. The new Revolving Credit Facility will also contain a performance covenant based on Adjusted EBITDA.

Adjusted EBITDA is defined as EBITDA adjusted for extraordinary effects, inventory revaluations and reclassifications. The Company believes that Adjusted EBITDA is a useful performance measure. However, Adjusted EBITDA is not recognized as a measure under IFRS. Therefore, Adjusted EBITDA should be viewed as supplemental to, but not as a substitute for, "profit or loss before tax," "profit or loss for the period," or "net cash provided by or used in operating activities" or for other income statement or statement of cash flows data determined in accordance with IFRS. Because not all companies define this measure in the same way, Adjusted EBITDA as shown in this offering memorandum may not be comparable to similarly-titled measures used by other companies. In addition, you should be aware that we are likely to incur expenses similar to the adjustments in the presentation of Adjusted EBITDA included herein in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

The following table shows a reconciliation of our reported EBT to our EBITDA and Adjusted EBITDA for the periods indicated:

Reconciliation of EBT to EBITDA and Adjusted EBITDA	*Twelve month period ended January 31, 2013*	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011 (pro forma)*	*Fiscal year ended April 30, 2010 (combined)*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*
	(€ in thousands, unless otherwise indicated)					
Profit or loss before taxes (EBT)	**(44,413)**	**(26,245)**	**(102,435)**	**(120,603)**	**(122,618)**	**23,328**
Financial result	94,072	63,782	69,044	99,334	67,643	44,386
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	54,833	45,734	31,944	41,043	34,864	34,686
EBITDA	**104,492**	**83,271**	**(1,447)**	**19,774**	**(20,111)**	**102,400**
Adjustments relating to financial result[(a)]	8,410	6,389	7,166	9,187	8,378	2,732
Extraordinary store expenses[(b)]	(358)	726	2,707	1,623	5,078	13,493
Normalization of provision release[(c)]	—	—	—	—	(117)	(1,241)
Losses (gains) arising on revaluation of inventories[(d)]	13,840	6,050	7,678	15,468	—	—
Inventory effects from PPA[(e)]	—	—	68,961	68,961	151,515	—
Transaction costs[(f)]	391	31	2,656	3,016	18,720	—
Other non-operating loss / (profit)[(g)]	1,461	1,246	2,214	2,429	13	(2,001)
Adjusted EBITDA	**128,236**	**97,713**	**89,935**	**120,458**	**163,476**	**115,383**

(a) Adjustments relating to financial result primarily relate to the handling and financing expenses for letters of credit (which we regularly use in connection with sourcing of merchandise from Asia), which are reclassified as interest expense. These financial expenses are shown as "other operating expenses" in our consolidated or combined income statements.

(b) Extraordinary store expenses which we regard as non-recurring store expenses, mainly consist of expenses relating to the store refurbishment project and of allocations to and reversal of provisions for potential future losses of non performing stores. These stores are actively monitored for potential restructurings (such as early termination of leases, subletting etc.). In addition, we eliminated start-up costs related to market entries in new countries, in particular costs for the initial formation of the legal entity and the implementation of the corporate structures necessary under applicable local law. Also, we have eliminated the costs for scrapping of store equipment from Adjusted EBITDA as these costs are similar to depreciation charges in economic terms. In our consolidated or combined income statements, these costs are reflected in other operating expenses. This item is shown as "Normalized expenses for store restructuring" in our Unaudited 2013 Interim Consolidated Financial Statements and 2012 Consolidated Financial Statements.

(c) As an extraordinary effect in fiscal year 2010, we partially reversed a write-down on inventories related to denim products and other trousers, as the original write-down proved to be too conservative. This write-down was recognized solely in connection with a jeans re-launch campaign in the summer of 2009. The normalization solely reflects the provision release relating to this write-down and is shown as "Reversal of inventory provisions" in our 2010 Combined Financial Statements.

(d) Losses (gains) arising on revaluation of inventories reflect gains or losses arising from the revaluation of our inventories and resulting provisions. Management makes this adjustment in monitoring the performance of the business because it has no cash impact and does not affect actual sourcing costs, and therefore management believes including this adjustment gives a better view of the operating performance of and cash flow generation by the business. In addition, we currently report our financial performance to our existing investors with this adjustment and management therefore believes that this is a metric that investors find useful in assessing the performance of the business. Due to a change in our presentation of Adjusted EBITDA during fiscal year 2012, Adjusted EBITDA for the twelve month period ended April 30, 2011 and the fiscal year ended April 30, 2010 do not include any such adjustments for revaluations of inventory. The change in our presentation of Adjusted EBITDA during fiscal year 2012 was related to changes in our internal reporting, as well as changes in our external reporting under the Existing Senior Credit Facilities. According to our internal estimates the effect of revaluation of inventories for the twelve month period ended April 30, 2011 would have resulted in a slightly positive contribution to Adjusted EBITDA and, for the fiscal year ended April 30, 2010, in an Adjusted EBITDA contribution of less than €10 million. This item is shown as "Revaluation of inventories" in our Unaudited 2013 Interim Consolidated Financial Statements and 2012 Consolidated Financial Statements.

(e) Inventory effects from PPA for the twelve month period ended April 30, 2011, for fiscal year 2012 and for the nine month period ended January 31, 2012 represents the amortization of the step-up of inventories due to the PPA attributable to the Acquisition by funds advised by Apax. Due to the *pro forma* assumptions, the twelve month period ended April 30, 2011 includes the amortization of the full step-up of inventories due to the PPA triggered by the Acquisition. In fact, a part of the stepped-up inventory was not yet sold as of April 30, 2011. The continuing amortization of the step-up value affected the cost of materials for fiscal year 2012. The amortization of the step-up of inventories due to the PPA has no cash impact. PPA effects deriving from the Acquisition no longer affect the current fiscal year and will not affect future periods.

(f) We incurred extraordinary transaction costs in connection with the Acquisition of our business by funds advised by Apax in February 2011. The transaction costs mainly comprise advisor fees and consultancy costs for, among others, M&A advisors, legal and tax advisors as well as due diligence support. We also incurred transaction costs in relation to a proposed refinancing in the summer of 2011 and an amendment and waiver in January 2012.

(g) Other non-operating loss (profit) includes severance payments and other items of a non-recurring nature, as well as unrealized foreign currency exchange gains or losses.

Static Like-for-Like Net Revenue

The static LfL store portfolio analysis is based on a static portfolio of stores that were all opened before or as of May 1, 2009 and that were all still open as of February 1, 2013, excluding sub-leased stores, stores operated by cooperation partners and stores used only as outlet stores for out-of-season inventory, as well as commission revenues from "bee line" products. For purposes of the static LfL net revenue for the twelve month period ended April 30, 2011, our combined net revenue for the period from May 1, 2010 to February 8, 2011 and our consolidated net revenue for the period from February 8, 2011 to April 30, 2011 for such static portfolio of stores have been aggregated. Our management uses the static LfL analysis as a means of calculating net growth (adjusted for store openings and closures). This indicator is useful for retail businesses like ours with rapid expansion, because it facilitates a comparison of growth figures by using the same basis for measurement. We therefore believe that static LfL net revenue is a useful performance measure.

The following table presents the calculation of our historical store base and shows their aggregated static LfL net revenue development. Since the static LfL net revenue analysis is based on a static portfolio of stores opened before or as of May 1, 2009 (and not closed before February 1, 2013), our Germany segment is to some extent over-represented in the static LfL net revenue analysis taking into account that approximately two thirds of our net store openings since May 1, 2009 have occurred outside of Germany. In line with the static LfL net revenue definition applied by us, these store openings are, however, not reflected in the following analysis. For a comparison of static LfL to dynamic LfL, please see "Summary Financial and Operating Information."

Static Like-for-like[1] store base	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Twelve month period ended January 31, 2013*	*Twelve month period ended January 31, 2012*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*
			(unaudited, unless indicated otherwise)				
Net revenue (audited for fiscal year 2012 and fiscal year 2010, € million)	803.2	792.0	1,051.5	1,016.8	1,040.4	938.5	789.9
Total no. of stores as of end of period	1,787	1,655	1,787	1,655	1,703	1,559	1,412
Closures in the twelve month period ended April 30, 2011							(31)
Closures in fiscal year 2012						(34)	(34)
Closures in the three month period ended April 30, 2012		(3)		(3)			
Closures in the nine month period ended January 31, 2013		(33)		(33)	(33)	(33)	(33)
Openings in fiscal year 2010[2]	(164)	(164)	(164)	(164)	(164)	(164)	(164)
Openings in the twelve month period ended April 30, 2011	(177)	(177)	(177)	(177)	(177)	(177)	
Openings in fiscal year 2012	(179)	(127)	(179)	(127)	(179)		
Openings in the nine month period ended January 31, 2013	(117)		(117)				
Other LfL adjustments[3]		(1)		(1)		(1)	
Static LfL stores	1,150	1,150	1,150	1,150	1,150	1,150	1,150
Static like-for-like net revenue (€ million)	545.3	579.8	723.0	751.6	757.5	740.5	674.5
Static like-for-like net revenue growth (%)[4]	(6.0%)	2.0%	(3.8%)	1.1%	2.3%	9.8%	N/A

1 Static LfL net revenue and the items included in the static LfL analysis are not measures under IFRS, but are derived from our internal reporting system. Therefore, static LfL net revenue should be viewed as supplemental to, but not as a substitute for, income statement or cash flow statement data determined in accordance with IFRS. Because not all companies define this measure in the same way, static LfL net revenue as shown in the offering memorandum may not be comparable to similarly-titled measures used by other companies.

2 Includes re-allocation of franchise stores in Slovakia.

3 Adjustments include stores experiencing temporary closings, ending subleases (with a return to our portfolio in a particular year) and adjustments for double counting (e.g., a store which opened in 2010 and closed in 2011).

4 Calculated as static LfL net revenue in the relevant period, as compared to static LfL net revenue in the comparative period of the previous year.

The static LfL growth in net revenue by €66.0 million in the twelve month period ended April 30, 2011 as compared with fiscal year 2010 represents an improvement in productivity by sales area of 9.8%, mainly driven by a favorable market environment, positive effects from our brand identity and refurbishment program as well as a TV marketing campaign launched in March 2010. The remaining increase in our net revenue in the twelve month period ended April 30, 2011 compared to fiscal year 2010 is mainly attributable to the full-year effect of the 139 gross store openings in fiscal year 2010, the increase in net revenue from 177 gross store openings in the twelve month period ended April 30, 2011, which more than offset the impact from the closure of stores in the period.

The static LfL growth in net revenue of €17.0 million in fiscal year 2012 as compared with the twelve month period ended April 30, 2011, represents an improvement in productivity by sales area of 2.3%, which was affected by our sourcing of significant volumes of merchandise for fiscal year 2012 in the expectation of continuing positive effects of our brand identity program. Weaker than expected consumer sentiment, as well as adverse weather conditions in some countries, necessitating additional promotional activities in order to sell down this inventory, lead to strong static LfL net revenue in May 2011, November 2011, December 2011 and March 2012. The remaining increase in our net revenue in fiscal year 2012 as compared with the twelve month period ended April 30, 2011 is mainly attributable to the full-year effect of the 147 net store openings in the twelve month period ended April 30, 2011, the increase in net revenue from 179 gross store openings in fiscal year 2012, which more than offset the impact from the closure of stores in this period.

The static LfL contraction in net revenue of €34.5 million in the nine month period ended January 31, 2013 as compared with the nine month period ended January 31, 2012, represents a decrease in productivity by sales area of 6.0% as promotional activities were significantly reduced in the fall and winter of 2012, as compared to the heightened level of promotional activity in the previous year. Consumer demand for fashion products in general was weaker and carry-over inventory from the previous year taking up shelf space negatively affected our sales of new products. See also "—Significant Factors Affecting Our Results of Operations—Adjusted Gross Margin Development."

The following table presents our static LfL performance by month based on net revenue for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Year-on-year static LfL performance based on net revenue[1,2]	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*
	(unaudited)	*(unaudited)*
Month of May	(19.3%)	24.7%
Month of June	4.2%	(19.5%)
Month of July	4.2%	(3.4%)
Month of August	1.1%	(4.5%)
Month of September	(0.2%)	(7.4%)
Month of October	(0.6%)	(10.4%)
Month of November	(17.8%)	24.5%
Month of December	(15.5%)	23.7%
Month of January	(0.0%)	4.7%
Full period	(6.0%)	2.0%

1 Static LfL net revenue and the items included in the static LfL analysis are not measures under IFRS, but are derived from our internal reporting system. Therefore, the static LfL net revenue should be viewed as supplemental to, but not as a substitute for, income statement or cash flow statement data determined in accordance with IFRS. Because not all companies define this measure in the same way, static LfL net revenue as shown in the offering memorandum may not be comparable to similarly-titled measures used by other companies.

2 Static LfL net revenue growth is calculated as static LfL net revenue in the relevant period, as compared to static LfL net revenue in the comparative period of the previous year.

Our static LfL net revenue in May, November and December 2012 has shown a significant decrease which was mainly caused by higher promotional activity in the corresponding months of the previous year. For example, in May 2011, we launched a mailing campaign offering significant discounts, which was not repeated in May 2012. Following weak consumer sentiment in the fall and winter of 2011 and stronger promotional activity in the market, we launched additional promotional activities in order to sell down inventory in November 2011 and December 2011. The reduced level of promotional activities in the fall and winter of 2012, generally

weaker consumer demand for fashion products together with the effects of holding increased amounts of carry-over inventory from the previous year all negatively affected our sales of new products, which resulted in a significant decrease of static LfL net revenue in November 2012 and December 2012. Static LfL growth for the remaining months, from June 2012 to October 2012, as well as January 2013 has been relatively stable compared to the previous year.

The heightened level of promotional activities in the nine month period ended January 31, 2012 supported static LfL net revenue growth at the expense of adjusted gross margin. In the nine month period ended January 31, 2013, when we reduced promotional activities, static LfL net revenue reversed, but adjusted gross margin recovered as well (see "—Significant Factors Affecting Our Results of Operations—Adjusted Gross Margin Development").

Over a three year period, static LfL net revenue has remained relatively stable, which increased from €499.8 million for the nine month period ended January 31, 2010 to €545.3 million for the nine month period ended January 31, 2013, which represents an annual static LfL net revenue growth over this period of 2.9%.

Key Line Items in Our Consolidated or Combined Income Statement

Net Revenue

Our net revenue comprises the gross revenue from the sale of goods minus VAT. In addition, net revenue from commission and franchise transactions is included in net revenue. Whereas the net revenue from the sale of goods includes the sale of apparel in our retail stores, net revenue from commission and franchise transactions relates to cooperation agreements concluded with franchise partners in certain European countries and to the net income from commission transactions regarding the sale of accessories (fashion jewelry and other accessories) for the account of our "bee line" business partner in our stores. In the past, we partly entered new markets using cooperation agreements with local partners in order to mitigate risks and gain knowledge about local requirements and market standards. The net income from commission transactions regarding the sale of "bee line" products as a commission agent for our business partner represents solely the commissions received by us from our partner. We have terminated the agreement with our "bee line" partner with effect as of December 31, 2013 (and with effect on April 30, 2013 in Poland), and are planning on in-sourcing the sale of fashion jewelry.

Cost of Materials

The cost of materials represents our largest cost factor. Cost of materials relates primarily to expenditures in connection with cost of sales, such as the cost of sourcing the merchandise, primarily apparel, to be sold in our stores. Furthermore, the cost of materials comprises customs and freight costs for such merchandise as well as gains or losses on revaluations of inventory. In general, the cost of materials is, apart from the volume of merchandise sourced, influenced by, *inter alia*, the level of purchase prices in Asia which, among other factors, is driven by the prices for raw materials and the level of wages, the portion of direct sourcing as compared to the portion of sourcing from vertical partners, exchange rate fluctuations (in particular the development of the U.S. dollar against the euro), as well as the composition of our product assortment.

On average, in fiscal year 2010, the twelve month period ended April 30, 2011, fiscal year 2012 and in the nine month period ended January 31, 2013, we sourced approximately 80% to 90% of our total merchandise directly, primarily in Asia. Depending on the composition of our product assortment, the share of goods sourced from vertical partners ranged between 10% and 30% of the total cost of materials. Customs and freight costs almost solely relate to imports from Asia.

A significant share of our cost of materials is incurred in currencies other than the euro, predominately in U.S. dollars. We use rolling currency forward transactions and currency options to hedge our U.S. dollar currency exposure at any time for up to the following 18 months against fluctuations of purchase prices and other purchase-related costs caused by fluctuations of the U.S. dollar against the euro. In general, we ensure that a minimum of 90% of the projected U.S. dollar payments related to signed orders for the following six months is hedged. In addition, we hedge 50% to 75% of U.S. dollar payments projected for months seven to twelve and up to 50% for months 13 to 18. The hedges for projected payments from month 13 onwards are not related to signed orders. On the basis of this hedging policy we are less dependent on short-term currency volatility. See also "—Quantitative and Qualitative Disclosure of Market Risks—Currency Risks."

Other Operating Income

Other operating income mainly includes cost reimbursements and insurance indemnity payments as well as, to a lesser extent, rental income from subleasing, income from the reversal of provisions and bad debt allowances and foreign exchange gains.

Cost reimbursements and insurance indemnity payments relate to, *inter alia*, reimbursements granted by the labor agencies and health insurance companies, the latter with respect to maternity leave payments, insurance refunds and refunds in connection with electricity tax (until 2011) as well as building subsidies granted by the lessor for store refurbishment or improvement.

The rental income from subleasing primarily relates to subleases of store premises. If a certain location no longer appears to be suitable for a Takko store but the lease agreement has not yet terminated, we attempt to sublease this space to mitigate the costs incurred by vacating the premises early. The volume of subleases has remained fairly stable in fiscal year 2010, the twelve month period ended April 30, 2011 and fiscal year 2012, with an average of 20 sublease agreements per period.

Income from the reversal of provisions and bad debt allowances mostly relates to provisions established in connection with incidental expenses for rental contracts, the lease for unoccupied premises and loss making stores with a negative sales trend as well as expected employee bonuses. It also includes income from the reversal of valuation allowances for inventories and, to a lesser extent, from accounts receivable, the latter primarily relating to accounts receivable vis-à-vis our cooperation partners. Operating income from the reversal of provisions and bad debt allowances is generated if the provisions are no longer required; in the past such reversals mainly related to provisions for incidental expenses of rental contracts, loss making stores with a negative sales trend and employee bonuses.

The foreign exchange gains relate to the currency translation of euro-denominated intercompany liabilities of national entities which prepare their financial statements in a currency other than the euro at the relevant balance sheet date. Such intercompany liabilities mainly relate to merchandise supplied and, to a lesser extent, intercompany loans. For accounting purposes, the national entity translates the relevant euro amount into the local currency as of the date the liability is recorded. At the relevant balance sheet date, a currency translation of these intercompany liabilities is made and any foreign exchange gains are recorded within the other operating income.

The remaining other operating income shown in the line item “miscellaneous” mainly comprises supplier bonuses, income from disposal of assets as well as income from reimbursements for private use of company cars.

Personnel Expenses

Personnel expenses consist primarily of wages and salaries. In addition, personnel expenses include social security costs. Approximately two thirds of our personnel expenses relate to employees working in our stores; this means that the development of the personnel expenses is directly linked to the expansion of our store network. Further personnel expenses relating to our operating business include personnel in the areas of product management and procurement as well as of supply chain management, consisting of merchandise planning, merchandise allocation and logistics. The remaining personnel expenses are attributable to central functions such as marketing, human resources, finance/controlling and IT.

A broad range of our employees have a variable salary component (top management, department heads in corporate overhead as well as store and area managers). As a general rule, general staff in the sales organization as well as in the central departments receive both year-end and vacation bonuses. Employment agreements with management staff include an annual remuneration package consisting of fixed salary components and definitions of bonus thresholds. Other personnel costs mainly include benefits in the form of use of company cars and other personnel related expenses.

Lease Payments including Costs for Services

Lease payments including costs for services relate primarily to the costs for the lease of stores. We do not own any real estate used as retail space, but lease all retail space from real property developers and mall operators. Some lease agreements, mainly in Germany and in Eastern Europe, provide for revenue-related additional lease payments meaning that a portion of the lease payments is usually tied to the level of net revenue generated in the store concerned. In fiscal year 2010, the twelve month period ended April 30, 2011, fiscal year

2012 and in the nine month period ended January 31, 2013, the revenue-related lease payments amounted to historical €0.1 million, *pro forma* €0.2 million, historical €0.3 million and historical €0.2 million, respectively. In addition, lease payments also include lease payments for office and warehouse premises. Lease payments represent our third most important cost factor after the cost of materials and the personnel expenses.

The costs for services comprise, in particular, utilities costs (electricity, water, etc.) and the cost allocation from mall operators.

In fiscal year 2010, the twelve month period ended April 30, 2011, fiscal year 2012 and in the nine month period ended January 31, 2013, we have capitalized approximately 170 to 180 store lease agreements and the lease agreement for an office building in Telgte, Germany, which qualify as so-called finance leases according to IAS 17. Lease payments under those finance leases are not reflected in the line item lease payments including costs for services but are split in an amortization portion and in an interest portion (see below "—Depreciation, Amortization and Impairment of Property, Plant and Equipment and Intangible Assets" and "—Financial Result").

Marketing Expenses

Marketing expenses relate primarily to the costs for the preparation and distribution of advertising brochures, for marketing events and advertising campaigns. Advertising brochures are flyers with approximately 10-14 pages which are distributed to customers throughout the year and present special offers.

Marketing expenses for events refer to advertising promotions in connection with the opening of new stores or various sticker campaigns as well as costs for special mailing promotions, etc. Since the nature of our business requires ongoing brand re-enforcement, the marketing expenses represent a relevant cost factor for us.

Other Operating Expenses

Other operating expenses essentially comprise expenses for the maintenance and renovation of stores and logistics expenses, such as vehicle costs for our own vehicle fleet, freight costs related to the transportation of merchandise with our own vehicles and freight companies as well as costs for third-party wages for contract workers (i.e. temporary personnel) in warehouses.

In addition, to a lesser extent, the other operating expenses include brokerage commissions for the lease of new stores, bank charges and fees in connection with the processing of payments in stores (only bank fees which relate to our operating business and not our financing liabilities) as well as handling and financing fees for letters of credit which we regularly use in connection with the sourcing of merchandise from Asia. Manufacturers in Asia require us to provide security in the form of letters of credit which stipulate the date of payment after receipt of documents. The weighted average payment time specified in the letters of credit over all countries was 100 to 130 days from shipment in fiscal year 2010, the twelve month period ended April 30, 2011, fiscal year 2012 and the nine month period ended January 31, 2013.

Further items refer to consulting fees (which consist mainly of legal, advisory and audit fees), travel and entertainment expenses, incidental personnel expenses (mainly training costs, contribution to the workers' association for handicapped people and other headcount related costs), contributions, fees and dues, as well as IT and telephone costs and foreign exchange losses relating to the currency translation of euro-denominated intercompany liabilities into the relevant local currency at the relevant balance sheet date.

Moreover, the other operating expenses include transaction and reorganization costs incurred in connection with the Acquisition of our business by funds advised by Apax in 2011, and the subsequent restructuring measures, as well as several other central costs.

Depreciation, Amortization and Impairment of Property, Plant and Equipment and Intangible Assets

Depreciation, amortization and impairment of our property, plant and equipment and intangible assets consists primarily of regular depreciation and amortization on property, plant and equipment (in particular, on the furniture, fixtures and IT equipment in stores and warehouse premises), on stores and office buildings operated under finance leases as well as on intangible assets (mostly on IT licenses and, to a lesser extent, on assets from franchise cooperations).

As part of the first time application of IFRS standards in the first short fiscal year 2008, approximately 170 to 180 lease agreements (relating to store leases and the lease for an office building in Telgte, Germany) were identified as finance leases, with very few additions in the following years. Additions mainly refer to extensions of existing finance lease contracts. The finance leases will be depreciated over their respective remaining lease terms.

In connection with the PPA analysis according to IFRS due to the Acquisition in 2011, goodwill was assigned to so-called cash generating units. Based on the underlying market expectations and cash flow forecasts, an impairment test is carried out as of the relevant balance sheet date which resulted in an impairment loss on goodwill of €14.7 million in the nine month period ended January 31, 2013 and may result in further goodwill impairments in the future. Furthermore, in the course of the PPA analysis relating to the Acquisition in 2011, brand rights for the "Takko" and "1982" brands were assessed. The excess of the aggregate of the consideration transferred over the fair values of the identifiable assets and liabilities assumed is recognized as goodwill. Based on the underlying revenue expectations, an impairment test of the fair values of the brand rights is carried out as of the relevant balance sheet date which may result in an impairment requirement for the brand values pursuant to IFRS.

Financial Result

The financial result is comprised of finance costs and finance income.

The finance costs comprise all interest expenses that are viewed as a form of cost of borrowing, in particular interest payments paid by us to financial institutions for loans granted and to direct and indirect shareholders for shareholder loans. The finance costs in fiscal year 2010, the twelve month period ended April 30, 2011, fiscal year 2012 and the nine month period ended January 31, 2013, were mainly attributable to the senior term loans, our second lien loan, the shareholder loans, interest rate hedges and to an interest rate increase related to the consent of our financing banks to an amendment and waiver in January 2012. Interest on shareholder loans is capitalized. In addition, finance costs relate to interest effects from finance leases and, to a lesser extent, amortized costs. According to IAS 39, amortized costs represent the amortization of capitalized transaction costs directly attributable to the financing for the Acquisition of the Group by funds advised by Apax in 2011.

According to IAS 17, we have capitalized approximately 170 to 180 store lease agreements and the lease agreement for an office building in Telgte, Germany, which qualify as so-called finance leases. The respective rental payments are split in an amortization portion and in an interest portion; the interest portion is presented as finance costs.

Finance income includes, in particular, interest income on bank balances and deposits as well as interest income related to interest rate hedges (mainly interest rate swap or cap transactions) and from a loan to our former controlling shareholder, Advent Vision S.à r.l.

Income Taxes

Taxes on income paid or due as well as deferred taxes are stated as income taxes. As a significant portion of our taxable income is generated in Germany, our tax rate of 30% is based, in particular, on German tax legislation. Deferred taxes result from temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for accounting purposes, taking into account tax loss carry-forwards. Deferred taxes are calculated on the basis of the tax rates that are applicable or anticipated in the respective countries according to the legal situation prevailing at the time of realization. Non-deductible expenses primarily relate to lease and interest expenses attributable to our German entities that partially increase the tax base for trade tax or that are subject to the interest barrier rules.

In Germany, when analyzing the tax base, corporate tax and trade tax need to be distinguished.

With regard to corporate tax, we have benefited from a substantial historical tax loss carry-forward amounting to €194.8 million as of April 30, 2011 and to €196.7 million as of April 30, 2012. With regard to trade tax, we benefited from a residual tax loss carry-forward of €6.1 million as of April 30, 2011 which was fully used in the twelve month period ended April 30, 2012. Furthermore, since 2008, lease expenses need to be added back to the trade tax base (at present, in the amount of 12.5% of the lease expenses for real estate leases) leading to an increase of the trade tax base for the entire retail industry.

The Unaudited 2011 Pro Forma Consolidated Financial Information assumes that the structure of the Group including a fiscally unified structure had existed as created by the Acquisition as of May 1, 2010. Therefore, the tax loss carry-forwards are treated differently than the income tax calculations for the Unaudited 2013 Interim Consolided Financial Statements, 2012 Consolidated Financial Statement as well as the 2010 Combined Financial Statements. The usage of tax loss carry-forwards for the twelve month period ended April 30, 2011, is reversed and the impact of the fiscally unified structure is included. Please note, that with a view to the overall Group taxation and in order to ensure that existing tax loss carry-forwards can be utilized, no fiscal unity was established as of April 30, 2012.

Results of Operations

Comparison of the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012

The following table shows our income statement for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012 derived from our Unaudited 2013 Interim Consolidated Financial Statements:

Consolidated income statement (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*
	(unaudited)	*(unaudited)*
Net revenue	**803,180**	**792,033**
Cost of materials	(352,013)	(427,448)
Gross profit	**451,167**	**364,585**
Other operating income	7,542	7,206
Personnel expenses	(154,105)	(140,542)
Lease payments incl. costs for services	(133,365)	(120,999)
Marketing expenses	(31,195)	(47,997)
Other operating expenses	(56,773)	(63,700)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(45,734)	(31,944)
Operating result	**37,537**	**(33,391)**
Finance costs	(66,955)	(69,185)
Finance income	3,173	141
Financial result	**(63,782)**	**(69,044)**
Loss for the period from ordinary operations	**(26,245)**	**(102,435)**
Loss before taxes	**(26,245)**	**(102,435)**
Income taxes	(11,715)	45,373
Loss for the period	**(37,960)**	**(57,062)**

Net Revenue

The following table shows our net revenue for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Net revenue (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Net revenue from the sale of goods	798,314	785,738	1.6%
Net revenue from commission and partnership transactions	4,866	6,295	(22.7)%
Total net revenue	**803,180**	**792,033**	**1.4%**

Our net revenue increased by €11.2 million or 1.4% from €792.0 million in the nine month period ended January 31, 2012 to €803.2 million in the nine month period ended January 31, 2013. The development in net revenue is primarily due to 132 net store openings increasing the total number of stores from 1,655 as of January 31, 2012 to 1,787 as of January 31, 2013. The net revenue from commission and partnership transactions decreased by €1.4 million from €6.3 million in the nine month period ended January 31, 2012 to €4.9 million in the nine month period ended January 31, 2013, as a result of the termination of the "Page One" franchise agreement in Portugal in July 2011 (which affected part of the nine month period ended January 31, 2012) as well as the discontinuation of certain commission-based sales. In the nine month period ended January 31, 2013,

we experienced a decrease in static LfL net revenue of 6.0% as compared to the nine month period ended January 31, 2012. For a more detailed discussion, please see "—Key Performance and Financial Measures—Static Like-for-Like Net Revenue."

Net Revenue by Segment

The following tables show our (external) net revenue by segment for the nine month period ended January 31, 2012 and the nine month period ended January 31, 2013:

External net revenue by segment[1] *(€ in thousands unless indicated otherwise)*	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Germany	**512,195**	**516,991**	**(0.9)%**
Austria	62,352	64,556	
Switzerland	11,387	9,685	
The Netherlands	33,433	29,950	
Belgium	5,145	3,672	
Italy	14,445	8,939	
Western and Central Europe	**126,762**	**116,802**	**8.5%**
Czech Republic	49,725	50,466	
Hungary	20,999	21,710	
Slovakia	21,576	19,911	
Romania	20,187	19,243	
Poland	20,518	18,653	
Slovenia	8,977	9,412	
Lithuania	4,962	4,165	
Estonia	4,412	3,773	
Croatia	10,648	9,914	
Serbia	2,219	993	
Eastern Europe	**164,223**	**158,240**	**3.8%**
Total net revenue of the Group	**803,180**	**792,033**	**1.4%**

1 Net revenue excluding net revenue generated through deliveries among Group entities (so-called internal net revenue).

External net revenue by segment[1] *(in % of total net revenue of the Group)*	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*
	(unaudited)	*(unaudited)*
Germany	63.8%	65.3%
Western and Central Europe	15.8%	14.7%
Eastern Europe	20.4%	20.0%

1 Net revenue excluding net revenue generated through deliveries among Group entities (so-called internal net revenue).

In the nine month period ended January 31, 2013, net revenue of the Western and Central Europe segment increased by €10.0 million or 8.5% to €126.8 million as compared to €116.8 million in the nine month period ended January 31, 2012, mainly due to the opening of 29 stores (on a net basis) in this segment in the nine month period ended January 31, 2013 (resulting in a total number of 300 stores in this segment as of January 31, 2013). Static LfL net revenue decreased by 8.8% for the nine month period ended January 31, 2013, as compared to the nine month period ended January 31, 2012. The share of the Western and Central Europe segment of our total net revenue amounted to 15.8% in the nine month period ended January 31, 2013, as compared to 14.7% in the nine month period ended January 31, 2012.

The Eastern Europe segment showed an increase in net revenue of €6.0 million or 3.8% to €164.2 million in the nine month period ended January 31, 2013, as compared to €158.2 million in the nine month period ended January 31, 2012, mainly due to the opening of 36 stores (on a net basis) in this segment in the nine month period ended January 31, 2013 (resulting in a total number of 414 stores in this segment as of January 31, 2013). Static LfL net revenue decreased by 9.3% for the nine month period ended January 31, 2013, as compared to the nine month period ended January 31, 2012. The net revenue generated in the Eastern Europe segment as a percentage of our total net revenue increased from 20.0% in the nine month period ended January 31, 2012 to 20.4% in the nine month period ended January 31, 2013.

Net revenue of the Germany segment decreased by €4.8 million or 0.9% from €517.0 million in the nine month period ended January 31, 2012 to €512.2 million in the nine month period ended January 31, 2013. The decrease in static LfL net revenue of 4.8% for the nine month period ended January 31, 2013, as compared to the nine month period ended January 31, 2012, was partly offset by the opening of 19 new stores (on a net basis) in the nine month period ended January 31, 2013 (resulting in a total number of 1,073 stores in this segment as of January 31, 2013). As a percentage of total net revenue, the revenue generated by the Germany segment decreased from 65.3% in the nine month period ended January 31, 2012 to 63.8% in the nine month period ended January 31, 2013. This relative decrease was due to our further international expansion in the nine month period ended January 31, 2013, and the corresponding relative increase of the share of total net revenue of the Western and Central Europe and Eastern Europe segments. For a more detailed discussion, see "—Significant Factors Affecting Our Results of Operations—Diverse Market Dynamics."

Cost of Materials

The following table shows our cost of materials for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Cost of materials (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Cost of sales	320,106	321,766	(0.5%)
Customs/freight/other	25,857	29,043	(11.0%)
Effects from the PPA analysis	0	68,961	
Gains/losses on revaluation of inventories	6,050	7,678	(21.2%)
Cost of materials	352,013	427,448	(17.6%)
Adjusted cost of materials[1]	345,963	350,809	(1.4%)
Adjusted cost of materials ratio (in %)[1]	43.1%	44.3%	

1 Adjusted cost of materials (cost of materials excluding effects from the PPA analysis and gains/losses arising on revaluation of inventories) as a percentage of net revenue.

In the nine month period ended January 31, 2012, the total cost of materials is significantly distorted by effects from the PPA analysis amounting to €69.0 million. As this is an extraordinary impact relating to the change of shareholders that has no cash impact and does not affect actual sourcing costs, the following analysis of the operational business is based on the cost of materials excluding this PPA effect and gains or losses on revaluation of inventories.

Our adjusted cost of materials decreased by €4.8 million or 1.4% from €350.8 million in the nine month period ended January 31, 2012 to €346.0 million in the nine month period ended January 31, 2013. The decrease in cost of materials in the nine month period ended January 31, 2013, was primarily attributable to a 0.5% decrease in the cost of sales from €321.8 million in the nine month period ended January 31, 2012 to €320.1 million in the nine month period ended January 31, 2013. Furthermore, costs for customs and freight decreased by €3.1 million or 11.0% from €29.0 million in the nine month period ended January 31, 2012 to €25.9 million in the nine month period ended January 31, 2013. For a more detailed discussion of the factors affecting our cost of materials, see "—Significant Factors Affecting our Results of Operations—Adjusted Gross Margin Development."

Cotton prices decreasing from their peak had an impact on our adjusted cost of materials ratio which decreased from 44.3% in the nine month period ended January 31, 2012 to 43.1% in the nine month period ended January 31, 2013.

Other Operating Income

The following table shows our other operating income for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Other operating income (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Rental income from subleasing	1,066	1,067	
Income from the reversal of provisions/bad debt allowances	2,165	1,209	
Cost reimbursements/insurance indemnity payments	2,813	3,397	
Miscellaneous	1,498	1,533	
Total other operating income	**7,542**	**7,206**	**4.7%**

Our other operating income increased by €0.3 million or 4.7% from €7.2 million in the nine month period ended January 31, 2012 to €7.5 million in the nine month period ended January 31, 2013.

The income from the reversal of provisions/bad debt allowances increased by €1.0 million or 79.1% from €1.2 million in the nine month period ended January 31, 2012 to €2.2 million in the nine month period ended January 31, 2013. This increase was mainly due to the release of provisions that had been made in relation to electricity tax.

The income from cost reimbursements/insurance indemnity payments decreased by €0.6 million or 17.2% from €3.4 million in the nine month period ended January 31, 2012 to €2.8 million in the nine month period ended January 31, 2013. This decrease was mainly due to a change in the manner in which our suppliers apply volume rebates, as most suppliers directly set off rebates against invoices, resulting in a reduction in our cost of materials and other business expenses rather than an increase in income.

Personnel Expenses

The following table shows our personnel expenses for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Personnel expenses (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Wages and salaries	126,756	114,580	10.6%
Social security costs	27,349	25,962	5.3%
Personnel expenses	**154,105**	**140,542**	**9.7%**
Personnel cost ratio (in %)[1]	19.2%	17.7%	—

1 Personnel expenses as a percentage of net revenue.

In the nine month period ended January 31, 2013, wages and salaries increased by €12.2 million or 10.6% to €126.8 million as compared with €114.6 million in the nine month period ended January 31, 2012. The number of full-time employees ("FTE") increased by 345 from 7,509 as of January 31, 2012 to 7,854 as of January 31, 2013. The increase in headcount of 345 FTE relates primarily to the increase of store personnel in connection with store expansion, particularly in Germany, the Netherlands, the Czech Republic, Italy and Slovakia. Furthermore, the opening of a new storage facility near Hamburg, which was opened in June 2011, contributed to the increase in personnel expenses. The number of FTEs per store decreased slightly following store level staff initiatives. Personnel cost per FTE increased in the nine month period ended January 31, 2013, compared to the nine month period ended January 31, 2012, due to the build-up of overhead functions and general wage inflation. The personnel cost ratio increased from 17.7% in the nine month period ended January 31, 2012 to 19.2% in the nine month period ended January 31, 2013. This increase reflects higher costs in relation to our store expansion and a decrease in LfL net revenue over this period.

Lease Payments including Costs for Services

The following table shows our lease payments including costs for services for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Lease payments incl. costs for services (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Lease payments incl. costs for services	133,365	120,999	10.2%
of which, lease payments (excluding costs for services)	100,166	89,304	12.2%
Lease payments ratio (in %)[1]	16.6	15.3	—

1 Lease payments including costs for services as a percentage of net revenue.

Lease payments including costs for services increased by €12.4 million or 10.2% from €121.0 million in the nine month period ended January 31, 2012 to €133.4 million in the nine month period ended January 31, 2013. Lease payments excluding costs for services increased by 12.2% and amounted to €100.2 million in the nine month period ended January 31, 2013, as compared to €89.3 million in the nine month period ended January 31, 2012. In each case, the increase was primarily due to the expansion of our store portfolio. Apart from this expansion-effect, the increase in lease payments resulted from the mix of locations, store format and general inflation impacts, partially compensated for by renegotiation of 178 existing lease contracts, which lowered the average rent for those contracts by 9%. Overall, the increase of costs for services was lower than the increase in lease payments. This reflects the lower volume of energy needed for heating due to higher average temperatures in the nine month period ended January 31, 2013 compared to the nine month period ended January 31, 2012. Besides general inflation impacts, lease payments per store remained stable from the nine month period ended January 31, 2012 to the nine month period ended January 31, 2013.

The lease payments ratio increased from 15.3% in the nine month period ended January 31, 2012 to 16.6% in the nine month period ended January 31, 2013. This increase is due to, on the one hand, higher costs in relation to our store expansion and, on the other hand, a decrease in LfL net revenue over this period.

Marketing Expenses

The following table shows our marketing expenses for the nine month period ended January 31, 2013, and the nine month period ended January 31, 2012:

Marketing expenses (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Marketing expenses	31,195	47,997	(35.0)%
Marketing expenses ratio (in %)[1]	3.9%	6.1%	—

1 Marketing expenses as a percentage of net revenue.

Marketing expenses decreased by €16.8 million or 35.0% from €48.0 million in the nine month period ended January 31, 2012 to €31.2 million in the nine month period ended January 31, 2013. The lower marketing expenses in the nine month period ended January 31, 2013, mainly relate to a reduction in our distribution of advertising brochures as well as to the optimization of mailing expenses. In addition, the higher marketing expenses in the nine month period ended January 31, 2012, relate to the broadcast of our TV advertising campaign, which ended in June 2011.

For the same reasons, marketing expenses as a percentage of net revenue decreased from 6.1% in the nine month period ended January 31, 2012 to 3.9% in the nine month period ended January 31, 2013.

Other Operating Expenses

The following table shows our other operating expenses for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Other operating expenses (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Expenses for maintenance/renovation	5,627	4,524	24.4%
Logistics expenses such as freight/vehicle costs/third-party services, including wages for contract workers	17,251	18,257	(5.5)%
Consulting fees	3,588	3,361	6.8%
Travel and entertainment expenses	2,715	2,537	7.0%
Incidental personnel expenses	3,769	3,219	17.1%
Bank charges and fees	4,525	3,717	21.7%
IT and telephone costs	5,251	5,400	(2.8)%
Brokerage commission	1,044	730	43.0%
Contributions, fees and dues	1,931	1,965	(1.7)%
Foreign exchange losses	935	3,268	(71.4)%
Transaction and reorganization costs	757	5,363	(85.9)%
Fees for letters of credit	6,019	6,793	(11.4)%
Miscellaneous	3,361	4,566	(26.4)%
Total other operating expenses	**56,773**	**63,700**	**(10.9)%**
Total other operating expenses (excluding transaction and reorganization costs)	**56,016**	**58,337**	**(4.0)%**
Other operating expenses ratio (in %)[1]	**7.0%**	**7.4%**	**—**
For reference: Number of stores (end of period)	1,787	1,655	8.0%

1 Other operating expenses (excluding transaction and reorganization costs) as a percentage of net revenue.

Other operating expenses decreased by €6.9 million or 10.9% from €63.7 million in the nine month period ended January 31, 2012 to €56.8 million in the nine month period ended January 31, 2013. The decrease was mainly due to lower extraordinary transaction costs relating to the Acquisition as well as lower foreign exchange losses on intercompany liabilities.

Other operating expenses excluding transaction and reorganization costs decreased by €2.3 million or 4.0% from €58.3 million in the nine month period ended January 31, 2012 to €56.0 million in the nine month period ended January 31, 2013. The decrease mainly reflects currency fluctuations, a decrease in miscellaneous costs, a decrease in fees for letters of credit reflecting the lower utilization of our existing letter of credit facility as well as lower logistics expenses. The ratio of other operating expenses (excluding transaction and reorganization costs) as a percentage of net revenue slightly improved from 7.4% in the nine month period ended January 31, 2012 to 7.0% in the nine month period ended January 31, 2013, reflecting economies of scale and cost discipline.

Expenses for maintenance and renovation increased from €4.5 million in the nine month period ended January 31, 2012, to €5.6 million in the nine month period ended January 31, 2013, primarily due to increased expenses for the maintenance of electrical equipment and store fittings.

Logistics expenses decreased by 5.5% to €17.3 million in the nine month period ended January 31, 2013 from €18.3 million in the nine month period ended January 31, 2012 reflecting economies of scale.

Brokerage commission increased by 43.0% to €1.0 million in the nine month period ended January 31, 2013, from €0.7 million in the nine month period ended January 31, 2012 mainly due to an increase in the number of stores located in city center locations in Germany, which generally entail higher brokerage commissions than commercial retail parks, and also to our expansion in Italy.

The foreign exchange losses decreased from €3.3 million in the nine month period ended January 31, 2012, to €0.9 million in the nine month period ended January 31, 2013. The foreign exchange losses result from the currency translation of euro-denominated intercompany liabilities into the relevant local currency at the balance sheet date. Variations are due to currency fluctuations as well as due to the development of underlying intercompany liabilities.

Transaction and reorganization costs decreased by €4.6 million from €5.4 million in the nine month period ended January 31, 2012 to €0.8 million in the nine month period ended January 31, 2013. This is mainly due to transaction costs in connection with a potential refinancing which was planned for summer 2011.

Fees for letters of credit decreased by €0.8 million from €6.8 million in the nine month period ended January 31, 2012 to €6.0 million in the nine month period ended January 31, 2013, mainly due to a lower drawdown under the letter of credit facility.

Miscellaneous other operating expenses decreased by €1.2 million from €4.6 million in the nine month period ended January 31, 2012 to €3.4 million in the nine month period ended January 31, 2013 due to stricter management of business expenses.

Depreciation, Amortization and Impairment of Property, Plant and Equipment and Intangible Assets

The following table shows our depreciation, amortization and impairment of property, plant and equipment and intangible assets for the nine month period ended January 31, 2013, and the nine month period ended January 31, 2012:

Depreciation, amortization and impairment of property, plant and equipment and intangible assets (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Goodwill	14,701	0	
Other concessions and licenses	1,000	1,120	
Property and plant (Land, land rights and buildings, including buildings on third party land)	364	362	
Equipment (Furniture, fixtures and office equipment)	21,853	22,891	
Finance leases	7,816	7,571	
Total depreciation, amortization and impairment of property, plant and equipment and intangible assets	**45,734**	**31,944**	**43.2%**

Total depreciation, amortization and impairment of property, plant and equipment and intangible assets (other than goodwill impairment) remained almost unchanged in the nine month period ended January 31, 2013 compared to the nine month period ended January 31, 2012. Similarly, amortization relating to other concessions and licenses, as well as amortization relating to finance leases remained substantially unchanged.

In connection with the PPA analysis according to IFRS due to the Acquisition in 2011, goodwill was assigned to so-called "cash generating units." Based on the underlying market expectations and cash flow forecasts, an impairment test was carried out as of October 31, 2012 which resulted in an impairment of the goodwill and certain assets allocated to the units impaired and impairment expenses in a total amount of €17.2 million in the nine month period ended January 31, 2013. The main reason for the impairment is that current market expectations and cash flow forecasts for the relevant units did not meet the original underlying expectations and forecasts, on which the PPA analysis in connection with the Acquisition in 2011 was based.

Goodwill acquired in the Acquisition with an indefinite useful life was allocated to the cash generating units for the purpose of impairment testing. The cash generating units of the Takko Group were grouped by assigned managerial responsibilities for certain geographic regions. Those represent the Group's key operating segments and are subject to monitoring by management.

The following table presents the goodwill impairment at the affected cash generating units (or groups of cash generating units), as well as the remaining goodwill in our cash generating units or groups of cash generating units as of January 31, 2013:

(in € thousands)	*Impairment of goodwill*	*Remaining carrying amount of goodwill*
	(unaudited)	
Germany	—	845,576
Austria/Switzerland	—	36,059
Czech Republic/Slovakia	—	17,700
Netherlands/Belgium	9,500	29,873
Hungary/Croatia/Slovenia	—	4,829
Romania	3,647	2,799
Poland/Estonia/Lithuania	1,554	0
Total	**14,701**	**936,836**

Our operations in the Netherlands were recently challenged by an unfavorable macro-economic climate and consumer sentiment following various tax increases and social benefit cuts. Our operations in Romania and Poland were hit by the general economic macro environment of Eastern Europe and local retail market dynamics. The recoverable amount of the "Poland" cash generating unit is less than the carrying amount of the unit even without consideration of the allocated goodwill. Therefore, an impairment loss has been recognized for other assets of Poland amounting to €2.5 million in the nine month period ended January 31, 2013.

Financial Result

The following table shows our financial result for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Financial result *(€ in thousands unless indicated otherwise)*	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*	*Change in %*
	(unaudited)	*(unaudited)*	
Finance costs	**(66,955)**	**(69,185)**	
of which, senior term loans	(31,740)	(29,229)	
of which, derivatives valuation	(140)	(14,086)	
of which, effects from amortized cost	(4,331)	(3,866)	
of which, accumulating interest of liabilities and provisions	(2,793)	(3,180)	
of which, revolving facility	(1,689)	(1,616)	
of which, finance leases	(2,204)	(2,277)	
of which, shareholder loan	(18,406)	(14,089)	
of which, interest rate hedges	(5,646)	(830)	
of which, other finance costs	(6)	(12)	
Finance income	**3,173**	**141**	
of which, derivatives valuation	3,083	0	
of which, interest income from bank balances/deposits	38	73	
of which, other interest income	52	68	
Financial result	**(63,782)**	**(69,044)**	**(7.6)%**

The financial result changed by €5.3 million or 7.6% from negative €69.0 million in the nine month period ended January 31, 2012 to negative €63.8 million in the nine month period ended January 31, 2013, mainly due to a positive change in derivatives valuation, partly offset by higher finance costs.

The decrease in finance costs in the nine month period ended January 31, 2013, mainly reflects derivatives valuation effects. The increase in interest expense relating to bank loans (senior term loans) of €2.5 million, from €29.2 million in the nine month period ended January 31, 2012 to €31.7 million in the nine month period ended January 31, 2013, resulted from increased interest rates under our Existing Senior Credit Facilities Agreement following the amendment and waiver entered into with our financing banks in January 2012. See "Description of Other Indebtedness." The average effective interest rates in the nine month period ended January 31, 2013, for the various tranches of the senior term loans A and B were 8.3%, and 8.2% (compared to 7.5% and 7.5% in the nine month period ended January 31, 2012). See "Quantitative and Qualitative Disclosure of Market Risks—Interest Rate Risks."

The finance costs relating to the shareholder loans increased from €14.1 million in the nine month period ended January 31, 2012 to €18.4 million in the nine month period ended January 31, 2013. This increase is primarily related to an additional shareholder loan of €60 million as well as an increased interest rate in fiscal year 2012. The interest on the shareholder loans is not paid in cash. See "Quantitative and Qualitative Disclosure of Market Risks—Interest Rate Risks."

The finance income in the nine month period ended January 31, 2013 mainly resulted from the derivatives valuation.

Income Taxes

The following table shows our income taxes for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012:

Income taxes *(€ in thousands unless indicated otherwise)*	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*
	(unaudited)	*(unaudited)*
Deferred tax income / expense	(5,640)	40,394
Current income taxes	(6,075)	4,979
Total	**(11,715)**	**45,373**

In the nine month period ended January 31, 2013, deferred tax expense amounted to €5.6 million, as compared to a deferred tax income of €40.4 million in the nine month period ended January 31, 2012, mainly due to recognition of deferred tax assets on corporate income tax loss carry-forwards in Germany in the nine month period ended January 31, 2012 resulting in a deferred income tax income of €31.1 million.

In the nine month period ended January 31, 2013 income tax expense amounted to €6.1 million, as compared to a current tax income of €5.0 million in the nine month period ended January 31, 2012, mainly due to a release of current income tax provisions for previous years in an amount of €7.2 million in the nine month period ended January 31, 2012.

Comparison of fiscal year 2012 and the twelve month period ended April 30, 2011

The following table shows our consolidated income statement for fiscal year 2012 derived from the 2012 Consolidated Financial Statements and our *pro forma* consolidated income statement for the twelve month period ended April 30, 2011 derived from the Unaudited 2011 Pro Forma Consolidated Financial Information. The Unaudited 2011 Pro Forma Consolidated Financial Information and the 2012 Consolidated Financial Statements are only comparable to a very limited extent (see "Presentation of Financial and Other Information").

Consolidated or pro forma consolidated income statement *(€ in thousands unless indicated otherwise)*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*
	(audited)	*(pro forma, unaudited)*
Net revenue	**1,040,354**	**938,535**
Cost of materials	(535,541)	(507,111)
Gross profit	**504,813**	**431,424**
Other operating income	11,276	16,618
Personnel expenses	(190,653)	(171,388)
Lease payments incl. costs for services	(162,902)	(143,013)
Marketing expenses	(58,119)	(58,415)
Other operating expenses	(84,641)	(95,337)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(41,043)	(34,864)
Operating result	**(21,269)**	**(54,975)**
Finance costs	(99,526)	(69,353)
Finance income	192	1,711
Financial result	**(99,334)**	**(67,643)**
Loss for the period from ordinary operations	**(120,603)**	**(122,618)**
Loss before taxes	**(120,603)**	**(122,618)**
Income taxes	46,273	33,759
Loss for the period	**(74,330)**	**(88,859)**

Net Revenue

The following table shows our net revenue for fiscal year 2012 and the twelve month period ended April 30, 2011:

Net revenue (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(audited)	*(pro forma, unaudited)*	
Net revenue from the sale of goods	1,032,410	925,873	11.5%
Net revenue from commission and partnership transactions	7,944	12,662	(37.3)%
Total net revenue	**1,040,354**	**938,535**	**10.8%**

Our net revenue increased by €101.8 million or 10.8% from *pro forma* €938.5 million in the twelve month period ended April 30, 2011 to historical €1,040.4 million in fiscal year 2012. The development in net revenue is primarily due to 144 net store openings, increasing the total number of stores from 1,559 as of April 30, 2011 to 1,703 as of April 30, 2012.

The net revenue from commission and franchise transactions decreased by 37.3% from *pro forma* €12.7 million in the twelve month period ended April 30, 2011 to historical €7.9 million in fiscal year 2012, mainly as a result of the termination of our "Page One" franchise agreement in Portugal in July 2011. In fiscal year 2012, we achieved an increase in static LfL net revenue of 2.3% as compared to the twelve month period ended April 30, 2011. For a more detailed discussion, please see "—Key Performance and Financial Measures—Static Like-for-Like Net Revenue."

Net Revenue by Segment

The following tables show our (external) net revenue by segment for the twelve month period ended April 30, 2011 and fiscal year 2012:

External net revenue by segment[1] (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(unaudited, unless indicated otherwise)	*(pro forma, unaudited)*	
Germany (audited for fiscal year 2012)	**681,727**	**635,038**	**7.4%**
Austria	85,512	82,287	
Switzerland	12,957	8,439	
The Netherlands	39,668	33,374	
Belgium	4,815	3,188	
Italy	12,398	1,661	
Western and Central Europe (audited for fiscal year 2012)	**155,350**	**128,949**	**20.5%**
Czech Republic	65,744	60,955	
Hungary	27,115	24,865	
Slovakia	25,753	21,026	
Romania	24,720	20,703	
Poland	24,175	19,392	
Slovenia	11,780	10,534	
Lithuania	5,205	4,060	
Estonia	4,735	3,840	
Croatia	12,643	9,173	
Serbia	1,407		
Eastern Europe (audited for fiscal year 2012)	**203,277**	**174,548**	**16.5%**
Total net revenue of the Group (audited for fiscal year 2012)	**1,040,354**	**938,535**	**10.8%**

1 Net revenue excluding net revenue generated through deliveries among Group entities (so-called internal net revenue).

External net revenue by segment[1] (in % of total net revenue of the Group)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*
	(audited)	*(pro forma, unaudited)*
Germany	65.5	67.7
Western and Central Europe	14.9	13.7
Eastern Europe	19.5	18.6

1 Net revenue excluding net revenue generated through deliveries among Group entities (so-called internal net revenue).

In fiscal year 2012, net revenue of the Western and Central Europe segment increased by €26.4 million or 20.5% to historical €155.4 million as compared to *pro forma* €129.0 million in the twelve month period ended April 30, 2011. Besides static LfL net revenue growth for fiscal year 2012 of 1.4% compared to the twelve month period ended April 30, 2011, this increase is attributable to the opening of 54 stores (on a net basis) in this segment in fiscal year 2012 (resulting in a total number of 271 stores in this segment as of April 30, 2012). The share of the Western and Central Europe segment of our total net revenue amounted to 14.9% in fiscal year 2012 on a historical basis, as compared to 13.7% in the twelve month period ended April 30, 2011 on a *pro forma* basis.

The Eastern Europe segment showed net revenue growth in fiscal year 2012, with an increase of €28.7 million or 16.5% to historical €203.3 million as compared to *pro forma* €174.5 million in the twelve month period ended April 30, 2011. Despite static LfL net revenue decrease for fiscal year 2012 of 0.6% compared to the twelve month period ended April 30, 2011, this increase is mainly attributable to 50 store openings (on a net basis) in fiscal year 2012 (resulting in a total number of 378 stores in this segment as of April 30, 2012). The net revenue generated in the Eastern Europe segment as a percentage of our total net revenue increased from 18.6% in the twelve month period ended April 30, 2011 on a *pro forma* basis to 19.5% in fiscal year 2012 on a historical basis.

Net revenue of the Germany segment increased by €46.7 million or 7.4% from *pro forma* €635.0 million in the twelve month period ended April 30, 2011 to historical €681.7 million in fiscal year 2012. Besides static LfL net revenue growth for fiscal year 2012 of 3.0% compared to the twelve month period ended April 30, 2011, this increase is primarily due to the opening of 40 new stores (on a net basis) in fiscal year 2012 (resulting in a total number of 1,054 stores in this segment as of April 30, 2012). As a percentage of total net revenue, the revenue generated by the Germany segment decreased from 67.7% in the twelve month period ended April 30, 2011 on a *pro forma* basis to 65.5% in fiscal year 2012 on a historical basis. This relative decrease was due to our significant international expansion in fiscal year 2012 and the corresponding relative increase of the share of total net revenue of the Western and Central Europe and the Eastern Europe segments.

Cost of Materials

The following table shows our cost of materials for fiscal year 2012 and the twelve month period ended April 30, 2011:

Cost of materials (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(unaudited, unless indicated otherwise)	*(pro forma, unaudited)*	
Cost of sales	417,276	329,538	26.6%
Customs/freight/other	33,835	26,175	29.3%
Effects from the PPA analysis	68,961	151,515	(54.5%)
Reversal of inventory provisions		(117)	
Gains/losses on revaluation of inventories	15,468		
Cost of materials (audited for fiscal year 2012)	**535,541**	**507,111**	**5.6%**
Adjusted cost of materials[1]	451,111	355,713	26.8%
Adjusted cost of materials ratio (in %)[1]	43.4%	37.9%	

1 Adjusted cost of materials (cost of materials excluding effects from the PPA analysis, reversal of inventory provisions as well as gains/losses arising on revaluation of inventories) as a percentage of net revenue.

In the twelve month period ended April 30, 2011, the total cost of materials is significantly distorted by effects from the PPA analysis amounting to *pro forma* €151.5 million. The PPA in connection with the Acquisition has resulted in a fair value step-up of inventories of *pro forma* €151.5 million. The Unaudited 2011 Pro Forma Consolidated Financial Information assumes that this step-up occurred as of May 1, 2010 and that the step-up amount is fully expensed as of April 2011 due to the inventory turnover of our business. Due to the actual inventory consumption in the period from the completion of the Acquisition on February 8, 2011 through April 30, 2011, historical €69 million of the step-up amount were in fact expensed in fiscal year 2012. As the PPA step-up is an extraordinary impact relating to the change of shareholders that has no cash impact and does not affect actual sourcing costs, the following analysis of the operational business is based on the cost of materials excluding this PPA effect.

The adjusted cost of materials, excluding effects from the PPA analysis, reversal of inventory provisions as well as gains or losses arising on revaluation of inventories, increased by €95.4 million or 26.8% from *pro forma* €355.7 million in the twelve month period ended April 30, 2011 to historical €451.1 million in fiscal year 2012. The increase of the cost of materials in fiscal year 2012 was primarily attributable to a 26.6% increase in the cost of sales from *pro forma* €329.5 million in the twelve month period ended April 30, 2011 to historical €417.3 million in fiscal year 2012. Furthermore, costs for customs and freight have increased by €7.6 million, or 29.3%, from *pro forma* €26.2 million in the twelve month period ended April 30, 2011 to historical €33.8 million in fiscal year 2012. For a more detailed discussion of the factors affecting our cost of materials, see "—Significant Factors Affecting our Results of Operations—Adjusted Gross Margin Development."

The adjusted cost of materials ratio increased from 37.9% in the twelve month period ended April 30, 2011 on a *pro forma* basis to 43.4% in fiscal year 2012 on a historical basis. The significant increase from the twelve month period ended April 30, 2011 to fiscal year 2012 was mainly to price increases by our suppliers, which reflect a strong increase in cotton prices as well as a steady increase in the cost of labor in the countries in which we source our products, such as China, India, Bangladesh and Sri Lanka. Additionally, weaker than expected consumer sentiment and adverse weather patterns led to excess inventory and a decision to implement significant mark-downs towards the end of fiscal year 2012.

Other Operating Income

The following table shows our other operating income for fiscal year 2012 and the twelve month period ended April 30, 2011:

Other operating income (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(audited)	*(pro forma, unaudited)*	
Rental income from subleasing	1,418	1,453	
Income from the reversal of provisions/bad debt allowances	2,631	3,738	
Cost reimbursements/insurance indemnity payments	4,588	4,531	
Foreign exchange gains	0	1,324	
Miscellaneous	2,639	5,572	
Total other operating income	**11,276**	**16,618**	**(32.1)%**

Our operating income decreased by €5.3 million or 32.1% from *pro forma* €16.6 million in the twelve month period ended April 30, 2011 to historical €11.3 million in fiscal year 2012.

In particular, income from the reversal of provisions/bad debt allowances decreased by €1.1 million or 29.6% from *pro forma* €3.7 million in the twelve month period ended April 30, 2011 to historical €2.6 million in fiscal year 2012. This decrease was mainly due to the fact that more provisions for loss-making stores were released in the twelve month period ended April 30, 2011 than in fiscal year 2012.

The foreign exchange gains in the twelve month period ended April 30, 2011 result from the currency translation of euro-denominated intercompany liabilities into the relevant local currency at the balance sheet date. Variations are due to currency fluctuations as well as due to the development of underlying intercompany liabilities. Due to the unfavorable development of the currency exchange rates, foreign exchange losses were incurred in fiscal year 2012 and were accounted for as other operating expenses.

Personnel Expenses

The following table shows our personnel expenses for fiscal year 2012 and the twelve month period ended April 30, 2011:

Personnel expenses (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(audited, unless indicated otherwise)	*(pro forma, unaudited)*	
Wages and salaries	156,317	141,436	10.5%
Social security costs	34,336	29,952	14.6%
Personnel expenses	**190,653**	**171,388**	**11.2%**
Personnel cost ratio (in %) (unaudited)[1]	18.3%	18.3%	—

1 Personnel expenses as a percentage of net revenue.

In fiscal year 2012, the wages and salaries increased by €14.9 million or 10.5% to historical €156.3 million as compared to *pro forma* €141.4 million in the twelve month period ended April 30, 2011. The number of FTE increased by 11.2% from 7,116 as of April 30, 2011 to 7,914 as of April 30, 2012. The increase in headcount of 798 FTE related primarily to the increase of store personnel in connection with store expansion, particularly in Germany, the Netherlands, Italy, Poland, the Czech Republic and Romania. Furthermore, the opening of a new storage facility near Hamburg in June 2011 and the corresponding hiring of personnel contributed to the increase in personnel expenses. Excluding average inflation impacts, personnel costs per FTE remained largely unchanged in fiscal year 2012 as compared to the twelve month period ended April, 30, 2011.

The personnel cost ratio remained unchanged from the twelve month period ended April 30, 2011 (on a *pro forma* basis) to fiscal year 2012 (on a historical basis), at 18.3%.

Lease Payments including Costs for Services

The following table shows our lease payments including costs for services for fiscal year 2012 and the twelve month period ended April 30, 2011:

Lease payments incl. costs for services (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(audited unless indicated otherwise)	*(pro forma, unaudited)*	
Lease payments incl. costs for services	162,902	143,013	13.9%
of which, lease payments (excluding costs for services) (unaudited)	121,550	105,955	14.7%
Lease payments ratio (in %) (unaudited)[1]	15.7%	15.2%	—

1 Lease payments including costs for services as a percentage of net revenue.

Lease payments including costs for services increased by €19.9 million or 13.9% from *pro forma* €143.0 million in the twelve month period ended April 30, 2011 to historical €162.9 million in fiscal year 2012. Lease payments excluding costs for services increased by 14.7% and amounted to historical €121.6 million in fiscal year 2012, as compared to *pro forma* €106.0 million in the twelve month period ended April 30, 2011. In each case, the increase was primarily due to the expansion of our store portfolio. Apart from this expansion effect, the increase in lease payments resulted from the mix of locations, store format and general inflation. Overall, the increase of costs for services was lower than the increase in lease payments. This was attributable to the fact that less energy for heating was needed due to higher average temperatures in fiscal year 2012 compared to the twelve month period ended April 30, 2011. Lease payments increased in fiscal year 2012, as compared to the twelve month period ended April 30, 2011 mainly due to the impact of general inflation. The lease payments ratio increased from 15.2% in the twelve month period ended April 30, 2011 on a *pro forma* basis to 15.7% in fiscal year 2012 on a historical basis. This increase is mainly due to higher costs in relation to our store expansion.

Marketing Expenses

The following table shows our marketing expenses for fiscal year 2012 and the twelve month period ended April 30, 2011:

Marketing expenses (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(audited unless indicated otherwise)	*(pro forma, unaudited)*	
Marketing expenses	58,119	58,416	(0.5)%
Marketing expenses ratio (in %) (unaudited)[1]	5.6%	6.2%	—

1 Marketing expenses as a percentage of net revenue.

Marketing expenses decreased by €0.3 million or 0.5% from *pro forma* €58.4 million in the twelve month period ended April 30, 2011 to historical €58.1 million in fiscal year 2012. The lower marketing expenses in fiscal year 2012 mainly relate to lower expenses for our TV advertising campaign, which ended in June 2011.

For the same reason, our marketing expenses as a percentage of net revenue decreased from 6.2% in the twelve month period ended April 30, 2011 (on a *pro forma* basis) to 5.6% in fiscal year 2012 (on a historical basis).

Other Operating Expenses

The following table shows our other operating expenses for fiscal year 2012 and the twelve month period ended April 30, 2011:

Other operating expenses (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(audited unless indicated otherwise)	*(pro forma, unaudited)*	
Expenses for maintenance/renovation	6,480	10,803	
Logistics expenses such as freight/vehicle costs/third-party services, including wages for contract workers	24,570	18,127	
Consulting fees	5,080	5,508	
Travel and entertainment expenses	3,488	3,454	
Incidental personnel expenses	4,696	4,721	
Bank charges and fees	5,048	4,091	
IT and telephone costs	7,617	6,683	
Brokerage commissions	1,302	2,185	
Contributions, fees and dues	2,757	2,610	
Foreign exchange losses	2,727	1,373	
Transaction and reorganization costs	4,881	20,698	
Fees for letters of credit	8,767	8,378	
Miscellaneous	7,228	6,706	
Total other operating expenses	84,641	95,337	(11.2)%
Total other operating expenses (excluding transaction and reorganization costs) (unaudited)	**79,760**	**74,639**	**6.9%**
Other operating expenses ratio (in %) (unaudited)[1]	**7.7%**	**8.0%**	**—**

1 Other operating expenses (excluding transaction and reorganization costs) as a percentage of net revenue.

Other operating expenses decreased by €10.7 million or 11.2% from *pro forma* €95.3 million in the twelve month period ended April 30, 2011 to historical €84.6 million in fiscal year 2012. The decrease was mainly due to lower transaction and reorganization costs related to the Acquisition, partially offset by higher operational costs due to the expansion of our store portfolio.

Total other operating expenses excluding transaction and reorganization costs increased by €5.1 million or 6.9% from *pro forma* €74.6 million in the twelve month period ended April 30, 2011 to historical €79.8 million

in fiscal year 2012. The increase reflects the growth of our operational business. The ratio of other operating expenses (excluding transaction and reorganization costs) as a percentage of net revenue has slightly decreased from 8.0% in the twelve month period ended April 30, 2011 on a *pro forma* basis to 7.7% in fiscal year 2012 on a historical basis, reflecting certain economies of scale.

Expenses for maintenance and renovation decreased from *pro forma* €10.8 million in the twelve month period ended April 30, 2011 to historical €6.5 million in fiscal year 2012. On a *pro forma* basis, approximately €4.1 million of the expenses in the twelve month period ended April 30, 2011 was attributable to a major refurbishment program finalized in the fall of 2010, with the remaining €6.7 million being attributable to regular store maintenance.

Logistics expenses increased by 35.5% to historical €24.6 million in fiscal year 2012, from *pro forma* €18.1 million in the twelve month period ended April 30, 2011, reflecting the growth in revenue by 10.8%. In addition, the opening of our new storage facility in Winsen, near Hamburg, in June 2011 as well as an increase in freight and transportation costs contributed to the increase of logistics expenses.

Brokerage commissions paid in connection with the lease of new stores decreased from *pro forma* €2.2 million in the twelve month period ended April 30, 2011 to historical €1.3 million in fiscal year 2012. During the market entry process in new countries, we typically rely on service providers or brokers for purposes of renting new premises. The framework agreements with brokers usually provide for decreasing commissions.

The foreign exchange losses in fiscal year 2012 and in the twelve month period ended April 30, 2011 resulted from the currency translation of euro-denominated intercompany liabilities into the relevant local currency at the balance sheet date.

Transaction and reorganization costs decreased by €15.8 million from *pro forma* €20.7 million in the twelve month period ended April 30, 2011 to historical €4.9 million in fiscal year 2012. This is mainly due to lower transaction costs in connection with the Acquisition.

Fees for letters of credit increased by €0.4 million from *pro forma* €8.4 million in the twelve month period ended April 30, 2011 to historical €8.8 million in fiscal year 2012, as the volume of letters of credit increased due to higher draw-downs under our letter of credit facility.

Depreciation, Amortization and Impairment of Property, Plant and Equipment and Intangible Assets

The following table shows our depreciation, amortization and impairment of property, plant and equipment and intangible assets for fiscal year 2012 and the twelve month period ended April 30, 2011:

Depreciation, amortization and impairment of property, plant and equipment and intangible assets (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(audited, unless indicated otherwise)	*(pro forma, unaudited)*	
Other concessions and licenses	1,489	1,346	
Property and plant (Land, land rights and buildings, including buildings on third party land)	483	458	
Equipment (Furniture, fixtures and office equipment) (unaudited)	28,899	23,288	
Finance leases (unaudited)	10,172	9,772	
Total depreciation, amortization and impairment of property, plant and equipment and intangible assets	**41,043**	**34,864**	**17.7%**

Depreciation, amortization and impairment of property, plant and equipment and intangible assets increased by €6.1 million or 17.7% from *pro forma* €34.9 million in the twelve month period ended April 30, 2011 to historical €41.0 million in fiscal year 2012.

Amortization relating to other concessions and licenses, as well as amortization relating to property and plant remained almost unchanged in fiscal year 2012, as compared with the twelve month period ended April 30, 2011.

Depreciation relating to equipment increased by €5.6 million or 24.0% from *pro forma* €23.3 million in the twelve month period ended April 30, 2011 to historical €28.9 million in fiscal year 2012. This increase was mainly attributable to the growth of our store network. Furthermore, the item “equipment” reflects an impairment for loss making stores with a negative sales trend identified by us as part of the constant monitoring of our store portfolio. In the twelve month period ended April 30, 2011, the number of loss making stores was reduced by six stores to a total number of 28 stores. In fiscal year 2012, we identified 32 additional loss making stores leading to a total number of 60 loss making stores. The fixed assets of the loss making stores were fully depreciated and an accrual was established covering the discounted net losses until the end of the rental contract period.

Financial Result

The following table shows our financial result for fiscal year 2012 and the twelve month period ended April 30, 2011:

Financial result *(€ in thousands unless indicated otherwise)*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(audited)	*(pro forma, unaudited)*	
Finance costs	**(99,526)**	**(69,354)**	
of which, senior term loans	(39,782)	(38,655)	
of which, derivatives valuation	(23,659)	—	
of which, effects from amortized cost	(4,960)	(5,092)	
of which, accumulating interest of liabilities and provision	(4,302)	—	
of which, revolving facility (working capital facility)	(2,419)	(849)	
of which, finance leases	(3,008)	(3,475)	
of which, shareholder loan	(19,761)	(16,750)	
of which, interest rate hedges	(1,620)	(2,629)	
of which, other finance costs including transaction costs attributable to financing	(15)	(1,904)	
Finance income	**192**	**1,711**	
of which, interest income from bank balances/deposits	80	116	
of which, other interest income	112	1,505	
of which, interest rate hedges	0	90	
Financial result	**(99,334)**	**(67,643)**	**46.9%**

The financial result changed by €31.7 million or 46.9% from *pro forma* negative €67.6 million in the twelve month period ended April 30, 2011 to historical negative €99.3 million in fiscal year 2012, due to an increase in finance costs.

The increase in interest expense relating to bank loans (senior term loans) of €1.1 million, from *pro forma* €38.7 million in the twelve month period ended April 30, 2011 to historical €39.8 million in fiscal year 2012, resulted from increased interest rates under our Existing Senior Credit Facilities Agreement following the amendment and waiver entered into with our financing banks at the end of 2011. The effective interest rates in fiscal year 2012, for the various tranches of the senior term loans A and B were 7.7%, and 7.7% (compared to 7.5% and 7.5% in the twelve month period ended April 30, 2011). See “Quantitative and Qualitative Disclosure of Market Risks—Interest Rate Risks.”

The finance costs relating to derivatives valuation amounted to historical €23.7 million in fiscal year 2012, mainly due to higher market value of the interest rate floor and lower market value of our interest rate cap.

The finance costs relating to the shareholder loans increased from *pro forma* €16.7 million in the twelve month period ended April 30, 2011 to historical €19.8 million in fiscal year 2012. This increase is primarily related to an additional shareholder loan of €60 million as well as an increased interest rate in fiscal year 2012. See “Quantitative and Qualitative Disclosure of Market Risks—Interest Rate Risks.”

The finance income mainly results from financial investments of unused liquidity in the form of interest bearing bank accounts.

Income Taxes

The following table shows our income taxes for fiscal year 2012 and the twelve month period ended April 30, 2011:

Income taxes *(€ in thousands unless indicated otherwise)*	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*
	(audited)	*(pro forma, unaudited)*
Deferred tax income	42,002	46,855
Current income taxes	4,271	(13,096)
Total	**46,273**	**33,759**

In the twelve month period ended April 30, 2011, deferred tax income reflects impacts from the PPA due to the Acquisition as well as specific *pro forma* assumptions. For these reasons, the deferred tax expense is not entirely comparable with fiscal year 2012. The overall decrease of income taxes in fiscal year 2012, as compared to the twelve month period ended April 30, 2011 was mainly due to the release of a provision relating to income taxes in an amount of approximately €7.2 million as of April 30, 2012, following a German tax audit in the years 2011 and 2012.

Comparison of the twelve month period ended April 30, 2011 and fiscal year 2010

The following table shows our *pro forma* consolidated income statement for the twelve month period ended April 30, 2011 derived from the Unaudited 2011 Pro Forma Consolidated Financial Information and the combined income statement for the fiscal year 2010 derived from the 2010 Combined Financial Statements. The Unaudited 2011 Pro Forma Consolidated Financial Information and the 2010 Combined Financial Statements are only comparable to a very limited extent (see "Presentation of Financial and Other Information").

Pro forma consolidated or combined income statement *(€ in thousands unless indicated otherwise)*	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*
	(pro forma, unaudited)	*(audited)*
Net revenue	**938,535**	**789,896**
Cost of materials	(507,111)	(305,589)
Gross profit	**431,424**	**484,307**
Other operating income	16,618	11,723
Personnel expenses	(171,388)	(144,825)
Lease payments incl. costs for services	(143,013)	(129,547)
Marketing expenses	(58,415)	(52,971)
Other operating expenses	(95,337)	(66,286)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(34,864)	(34,686)
Operating result	**(54,975)**	**67,715**
Finance costs	(69,353)	(45,053)
Finance income	1,711	666
Financial result	**(67,643)**	**(44,387)**
Profit or loss for the period from ordinary operations	**(122,618)**	**23,328**
Profit or loss before taxes	**(122,618)**	**23,328**
Income taxes	33,759	(6,274)
Profit or loss for the period	**(88,859)**	**17,054**

Net Revenue

The following table shows our net revenue for the twelve month period ended April 30, 2011 and fiscal year 2010:

Net revenue *(€ in thousands unless indicated otherwise)*	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, audited)*	
Net revenue from the sale of goods	925,873	779,966	18.7%
Net revenue from commission and franchise transactions	12,662	9,930	27.5%
Total net revenue	**938,535**	**789,896**	**18.8%**

Our net revenue increased by €148.6 million or 18.8% from historical €789.9 million in fiscal year 2010 to *pro forma* €938.5 million in the twelve month period ended April 30, 2011. The positive development in net revenue is almost entirely due to increased sales volume and not to an increase in sales prices, as average sales prices per item remained almost unchanged in fiscal year 2010 and the twelve month period ended April 30, 2011.

A major reason for the increase in sales volume is the expansion of the store network in the twelve month period ended April 30, 2011 by 147 stores (on a net basis). Furthermore, the first-time full-year effect of the net opening of 100 stores in the course of fiscal year 2010 also contributed to the increase of net revenue in the twelve month period ended April 30, 2011. The positive development has been supported by improvements in marketing and in the product mix, in particular as a result of a more focused product assortment strategy. Further, net revenue growth was supported by static LfL net revenue growth of 9.8% for the twelve month period ended April 30, 2011 as compared to fiscal year 2010, also driven by our store refurbishment and re-launch program. For a more detailed discussion, please see "—Key Performance and Financial Measures—Static Like-for-Like Net Revenue."

The net revenue from commission and franchise transactions increased by 27.5% from historical €9.9 million in fiscal year 2010 to *pro forma* €12.7 million in the twelve month period ended April 30, 2011, mainly as a result of an increase of revenues of "bee line" products as well as an increase of the number of franchise stores in Portugal (for details see above "—Key Line Items Our Consolidated or Combined Income Statement—Net Revenue").

Net Revenue by Segment

The following tables show our (external) net revenue by segment for the twelve month period ended April 30, 2011 and fiscal year 2010:

External net revenue by segment[1] (€ in thousands unless indicated otherwise)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, unaudited unless otherwise indicated)*	
Germany (audited for fiscal year 2010)	**635,038**	**549,993**	**15.5%**
Austria	82,287	71,318	
Switzerland	8,439	4,057	
The Netherlands	33,374	26,078	
Belgium	3,188	1,884	
Italy	1,661	—	
Western and Central Europe (audited for fiscal year 2010)	**128,949**	**103,336**	**24.8%**
Czech Republic	60,955	51,669	
Hungary	24,865	23,619	
Slovakia	21,026	16,456	
Romania	20,703	16,797	
Poland	19,392	11,310	
Slovenia	10,534	8,209	
Lithuania	4,060	2,904	
Estonia	3,840	2,373	
Croatia	9,173	3,230	
Eastern Europe (audited for fiscal year 2010)	**174,548**	**136,566**	**27.8%**
Total net revenue of the Group (audited for fiscal year 2010)	**938,535**	**789,896**	**18.8%**

1 Net revenue excluding net revenue generated through deliveries among Group entities (so-called internal net revenue).

External net revenue by segment[1] (in % of total net revenue of the Group)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*
	(pro forma, unaudited)	*(combined, unaudited)*
Germany	67.7%	69.6%
Western and Central Europe	13.7%	13.1%
Eastern Europe	18.6%	17.3%

1 Net revenue excluding net revenue generated through deliveries among Group entities (so-called internal net revenue).

In the twelve month period ended April 30, 2011, net revenue of the Western and Central Europe segment increased by €25.6 million or 24.8% to *pro forma* €128.9 million as compared to historical €103.3 million in fiscal year 2010. Besides static LfL net revenue growth of 11.8% for the twelve month period ended April 30, 2011 compared to fiscal year 2010, this increase is attributable to the opening of 33 stores (on a net basis) in this segment in the twelve month period ended April 30, 2011 (resulting in a total number of 217 stores in this segment as of April 30, 2011). The share of the Western and Central Europe segment of our total net revenue amounted to 13.7% in the twelve month period ended April 30, 2011 on a *pro forma* basis as compared to 13.1% in fiscal year 2010 on a historical basis.

The Eastern Europe segment showed the largest relative net revenue growth of all segments in the twelve month period ended April 30, 2011, with an increase of €38.0 million or 27.8%, to *pro forma* €174.5 million as compared to historical €136.6 million in fiscal year 2010. Besides static LfL net revenue growth of 4.9% for the twelve month period ended April 30, 2011 compared to fiscal year 2010, the increase is attributable to 69 store openings (on a net basis) in the twelve month period ended April 30, 2011 (resulting in a total number of 328 stores in this segment as of April 30, 2011). The net revenue generated in the Eastern Europe segment as a percentage of our total net revenue increased from 17.3% in fiscal year 2010 on a historical basis to 18.6% in the twelve month period ended April 30, 2011 on a *pro forma* basis.

Net revenue of the Germany segment increased by €85.0 million or 15.5% from historical €550.0 million in fiscal year 2010 to *pro forma* €635.0 million in the twelve month period ended April 30, 2011. Besides static LfL net revenue growth of 10.4% for the twelve month period ended April 30, 2011 compared to fiscal year 2010, this increase is primarily due to the opening of 45 new stores (on a net basis) in the twelve month period ended April 30, 2011 (resulting in a total number of 1,014 stores in this segment as of April 30, 2011). As a percentage of total net revenue, the revenue generated by the Germany segment decreased from 69.6% in fiscal year 2010 on a historical basis to 67.7% in the twelve month period ended April 30, 2011 on a *pro forma* basis. This relative decrease was due to our significant international expansion in the twelve month period ended April 30, 2011 and the related relative increase of the share of total net revenue of the Western and Central Europe and the Eastern Europe segments.

Cost of Materials

The following table shows our cost of materials for the twelve month period ended April 30, 2011, and fiscal year 2010:

Cost of materials (€ in thousands unless indicated otherwise)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, unaudited unless indicated otherwise)*	
Cost of sales	329,538	285,148	15.6%
Customs/freight/other	26,175	21,682	20.7%
Effects from the PPA analysis	151,515	0	
Reversal of inventory provisions	(117)	(1,241)	(90.6%)
Cost of materials (audited for fiscal year 2010)	**507,111**	**305,589**	**65.9%**
Adjusted cost of materials[1]	355,713	306,830	15.9%
Adjusted cost of materials ratio (unaudited) (in %)[1]	37.9%	38.8%	

1 Adjusted cost of materials (cost of materials excluding effects from the PPA analysis as well as reversal of inventory provisions) as a percentage of net revenue. Prior to a change in our presentation of Adjusted EBITDA and Adjusted Gross Profit for fiscal year 2012, adjusted cost of materials for the twelve month period ended April 30, 2011 and the fiscal year ended April 30, 2010 was not adjusted for losses (gains) arising on revaluation of inventories. The change in our presentation of Adjusted EBITDA and Adjusted Gross Profit for fiscal year 2012 was related to changes in our internal reporting, as well as changes in our external reporting under the Existing Senior Credit Facilities.

In the twelve month period ended April 30, 2011, the total cost of materials is significantly distorted by effects from the PPA analysis amounting to *pro forma* €151.5 million. The PPA in connection with the Acquisition has resulted in a fair value step-up of inventories of *pro forma* €151.5 million. The Unaudited 2011 Pro Forma Consolidated Financial Information assumes that this step-up occurred as of May 1, 2010 and that the step-up amount is fully expensed as of April 2011 due to the inventory turnover of our business. As this is an extraordinary impact relating to the change of shareholders that has no cash impact and does not affect actual sourcing costs, the following analysis of the operational business is based on the cost of materials excluding this PPA effect.

The adjusted cost of materials increased by €48.9 million or 15.9% from historical €306.8 million in fiscal year 2010 to *pro forma* €355.7 million in the twelve month period ended April 30, 2011. The increase of the cost of materials in the twelve month period ended April 30, 2011, was primarily attributable to a 15.6% increase in the cost of sales from historical €285.1 million in fiscal year 2010 to *pro forma* €329.5 million in the twelve month period ended April 30, 2011. The increase in the cost of sales was mainly due to the increase in our net revenue, whereas the cost of sales per item remained nearly unchanged in the twelve month period ended April 30, 2011, compared to fiscal year 2010. Furthermore, costs for customs and freight have increased by €4.5 million or 20.7% from historical €21.7 million in fiscal year 2010 to *pro forma* €26.2 million in the twelve month period ended April 30, 2011. For a more detailed discussion of the factors affecting our cost of materials, see "—Significant Factors Affecting our Results of Operations—Adjusted Gross Margin Development."

The adjusted cost of materials ratio decreased from 38.8% in fiscal year 2010 on a historical basis to 37.9% in the twelve month period ended April 30, 2011 on a *pro forma* basis. The decrease in the adjusted cost of materials ratio in the twelve month period ended April 30, 2011, mainly relates to lower markdowns due to our new, accelerated markdown policy which led to an improved aging profile of merchandise inventories and a slight improvement in our U.S. dollar hedging with an average hedging rate of $1.41/€ in the twelve month period ended April 30, 2011, and $1.38/€ in fiscal year 2010. Other key indicators with regard to the purchase of merchandise remained almost unchanged. For example, the split between direct sourcing and vertical partners was at a similar level in fiscal year 2010 and the twelve month period ended April 30, 2011, with approximately 80% direct sourcing and 20% vertical partner relationships and the average cost of sales per item remained rather stable.

Other Operating Income

The following table shows our other operating income for the twelve month period ended April 30, 2011 and fiscal year 2010:

Other operating income (€ in thousands unless indicated otherwise)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, audited)*	
Rental income from subleasing	1,453	1,574	
Income from the reversal of provisions/bad debt allowances	3,738	2,334	
Cost reimbursements/insurance indemnity payments	4,531	4,548	
Foreign exchange gains	1,324	1,055	
Miscellaneous	5,572	2,212	
Total other operating income	**16,618**	**11,723**	**41.8%**

Our operating income increased by €4.9 million or 41.8% from historical €11.7 million in fiscal year 2010 *to pro forma* €16.6 million in the twelve month period ended April 30, 2011.

In particular, income from the reversal of provisions/bad debt allowances increased by €1.4 million or 60.2% from historical €2.3 million in fiscal year 2010 to *pro forma* €3.7 million in the twelve month period ended April 30, 2011. This increase was mainly attributable to releases of provisions for loss-making stores. As the performance of those stores has improved, we improved the respective provisions accordingly.

The income from cost reimbursements/insurance indemnity payments has remained stable, although electricity tax refunds have been lower due to a change of the electricity regulations as of January 2011 such that electricity tax refunds are no longer granted by the German fiscal authorities. In the twelve month period ended April 30, 2011 the electricity tax refunds amounted to *pro forma* €0.9 million in comparison with historical €1.2 million in fiscal year 2010.

The foreign exchange gains in the twelve month period ended April 30, 2011 and in fiscal year 2010 result from the currency translation of euro-denominated intercompany liabilities into the relevant local currency at the balance sheet date (see above "—Key Line Items in Our Consolidated or Combined Income Statement—Other Operating Income"). Variations are due to currency fluctuations as well as due to the development of the underlying intercompany liabilities.

Personnel Expenses

The following table shows our personnel expenses for the twelve month period ended April 30, 2011 and fiscal year 2010:

Personnel expenses (€ in thousands unless indicated otherwise)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, audited unless indicated otherwise)*	
Wages and salaries	141,436	119,530	18.3%
Social security costs	29,952	25,295	18.4%
Personnel expenses	**171,388**	**144,825**	**18.3%**
Personnel cost ratio (in %) (unaudited)[1]	18.3%	18.3%	—

1 Personnel expenses as a percentage of net revenue.

In the twelve month period ended April 30, 2011, the wages and salaries increased by €21.9 million or 18.3% to *pro forma* €141.4 million as compared with historical €119.5 million in fiscal year 2010. The number of full-time employees ("FTE") increased by 12.9% from 6,302 as of April 30, 2010 to 7,116 as of April 30, 2011. The increase in headcount of 814 FTE relates primarily to the increase of store personnel in connection with store expansion, in particular in Germany, Poland, the Czech Republic, Slovakia, Romania, Croatia, Switzerland, the Netherlands and the market entry in Italy. Furthermore, the first employees have been hired for the new storage facility near Hamburg which was opened in June 2011. In October 2010, we increased the salary for temporary employees in the German stores which resulted in a one-time increase of personnel costs for the German stores. Besides this one-time effect and average inflation impacts, personnel costs per FTE remained largely unchanged in the twelve month period ended April 30, 2011, compared to fiscal year 2010.

The personnel cost ratio remained unchanged from fiscal year 2010 on a historical basis to the twelve month period ended April 30, 2011 on a *pro forma* basis, at 18.3%. A potential decrease of the personnel cost ratio caused by store expansion, which would have led to economies of scale with respect to corporate overhead functions was offset by the salary increase for temporary employees in the German stores.

Lease Payments including Costs for Services

The following table shows our lease payments including costs for services for the twelve month period ended April 30, 2011 and fiscal year 2010:

Lease payments incl. costs for services (€ in thousands unless indicated otherwise)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, audited unless indicated otherwise)*	
Lease payments incl. costs for services	143,013	129,547	10.4%
of which, lease payments (excluding costs for services) (unaudited)	105,955	96,645	9.6%
Lease payments ratio (in %) (unaudited)[1]	15.2%	16.4%	—

1 Lease payments including costs for services as a percentage of net revenue.

Lease payments including costs for services increased by €13.5 million or 10.4% from historical €129.5 million in fiscal year 2010 to *pro forma* €143.0 million in the twelve month period ended April 30, 2011. Lease payments excluding costs for services increased by 9.6% and amounted to *pro forma* €106.0 million in the twelve month period ended April 30, 2011, as compared to historical €96.6 million in fiscal year 2010. In each case, the increase was primarily due to the expansion of our store portfolio. Overall, the increase in lease payments was lower than the increase of costs for services. This reflects the general increase in energy costs during the period.

The lease payments ratio decreased from 16.4% in fiscal year 2010 on a historical basis to 15.2% in the twelve month period ended April 30, 2011 on a *pro forma* basis. This decrease is primarily attributable to the strong like-for-like growth of net revenue and, to a lesser extent, cost savings resulting from renegotiations of some lease agreements, mainly for stores located in Germany which were approaching the end of their initial fixed term.

Marketing Expenses

The following table shows our marketing expenses for the twelve month period ended April 30, 2011, and fiscal year 2010:

Marketing expenses (€ in thousands unless indicated otherwise)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, audited unless indicated otherwise)*	
Marketing expenses	58,415	52,971	10.3%
Marketing expenses ratio (in %) (unaudited)[1]	6.2%	6.7%	—

1 Marketing expenses as a percentage of net revenue.

Marketing expenses increased by €5.4 million or 10.3% from historical €53.0 million in fiscal year 2010 to *pro forma* €58.4 million in the twelve month period ended April 30, 2011. The higher marketing expenses in the twelve month period ended April 30, 2011, mainly relate to increased costs due to the full roll-out of the TV advertising campaign which was launched in spring 2010 (an increase of approximately €9.2 million compared to fiscal year 2010), though these costs are partly offset by decreased costs for advertising brochures (a decrease of €4.6 million compared to fiscal year 2010).

Despite the roll-out of the TV advertising campaign, the marketing expenses as a percentage of net revenue decreased from 6.7% in fiscal year 2010 on a historical basis to 6.2% in the twelve month period ended April 30, 2011 on a *pro forma* basis. This development is primarily attributable to the increase in net revenue and economies of scale generated by the TV campaign as TV advertising is independent of store expansion.

Other Operating Expenses

The following table shows our other operating expenses for the twelve month period ended April 30, 2011 and fiscal year 2010:

Other operating expenses (€ in thousands unless indicated otherwise)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, audited unless indicated otherwise)*	
Expenses for maintenance/renovation	10,803	17,165	
Logistics expenses such as freight/vehicle costs/third-party services, including wages for contract workers	18,127	15,051	
Consulting fees	5,508	4,858	
Travel and entertainment expenses	3,454	2,924	
Incidental personnel expenses	4,721	3,382	
Bank charges and fees	4,091	3,881	
IT and telephone costs	6,683	5,404	
Brokerage commissions	2,185	1,142	
Contributions, fees and dues	2,610	2,039	
Foreign exchange losses	1,373	0	
Transaction and reorganization costs	20,698	1,425	
Fees for letters of credit	8,378	2,532	
Miscellaneous	6,706	6,483	
Total other operating expenses	95,337	66,286	43.8%
Total other operating expenses (excluding transaction and reorganization costs)(unaudited)	**74,639**	**64,861**	**15.1%**
Other operating expenses ratio (in %) (unaudited)[1]	**8.0%**	**8.2%**	**—**

1 Other operating expenses (excluding transaction and reorganization costs) as a percentage of net revenue.

Other operating expenses increased by €29.0 million or 43.8% from historical €66.3 million in fiscal year 2010 to *pro forma* €95.3 million in the twelve month period ended April 30, 2011. The increase was mainly due to store expansion leading to higher operational costs as well as extraordinary transaction costs for the Acquisition.

Total other operating expenses excluding transaction and reorganization costs increased by €9.8 million or 15.1% from historical €64.9 million in fiscal year 2010 to *pro forma* €74.6 million in the twelve month period ended April 30, 2011. The increase reflects the growth of the operational business. The ratio of other operating expenses (excluding transaction and reorganization costs) as a percentage of net revenue has slightly improved from 8.2% in fiscal year 2010 on a historical basis to 8.0% in the twelve month period ended April 30, 2011 on a *pro forma* basis, reflecting economies of scale.

Expenses for maintenance and renovation decreased substantially from historical €17.2 million in fiscal year 2010 to *pro forma* €10.8 million in the twelve month period ended April 30, 2011, approximately *pro forma* €4.1 million of which were attributable to a major refurbishment program and approximately *pro forma* €6.7 million of which were attributable to regular store maintenance (as compared to historical €11.4 million for the refurbishment program and historical €5.8 million for other maintenance in fiscal year 2010). As the refurbishment program was finalized in the fall of 2010, no further extraordinary refurbishment expenses were incurred in the second half of the twelve month period ended April 30, 2011.

Logistics expenses increased by 20.4% to *pro forma* €18.1 million in the twelve month period ended April 30, 2011, from historical €15.1 million in fiscal year 2010, reflecting the growth of revenues (increase of net revenues by 19%) as well as inflationary increases in freight and other transportation costs.

Brokerage commissions paid in connection with the lease of new stores increased significantly from historical €1.1 million in fiscal year 2010 to *pro forma* €2.2 million in the twelve month period ended April 30, 2011, which is mainly attributable to the market entry in Italy and the opening of 11 new stores in Italy as well as further expansion in Switzerland, the Netherlands and Croatia.

The foreign exchange losses in the twelve month period ended April 30, 2011, resulted from the currency translation of euro-denominated intercompany liabilities into the relevant local currency at the balance sheet date.

Transaction and reorganization costs sharply increased by €19.3 million from historical €1.4 million in fiscal year 2010 to *pro forma* €20.7 million in the twelve month period ended April 30, 2011. This is mainly due to transaction costs in connection with the Acquisition.

Fees for letters of credit increased by €5.8 million from historical €2.5 million in fiscal year 2010 to *pro forma* €8.4 million in the twelve month period ended April 30, 2011, as the volume of letters of credit has increased due to the substantial growth of the business and due to the increase in fee levels for letters of credit under the Existing Senior Credit Facilities.

Depreciation, Amortization and Impairment of Property, Plant and Equipment and Intangible Assets

The following table shows our depreciation, amortization and impairment of property, plant and equipment and intangible assets for the twelve month period ended April 30, 2011 and fiscal year 2010:

Depreciation, amortization and impairment of property, plant and equipment and intangible assets (€ in thousands unless indicated otherwise)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, audited, unless indicated otherwise)*	
Goodwill	—	482	
Franchises	—	1,631	
Other concessions and licenses	1,346	1,254	
Property and plant (Land, land rights and buildings, including buildings on third party land)	458	405	
Equipment (Furniture, fixtures and office equipment) (unaudited)	23,288	21,720	
Finance leases (unaudited)	9,772	9,194	
Total depreciation, amortization and impairment of property, plant and equipment and intangible assets	**34,864**	**34,686**	**0.5%**

Depreciation, amortization and impairment of property, plant and equipment and intangible assets remained almost unchanged with historical €34.7 million in fiscal year 2010 to *pro forma* €34.9 million in the twelve month period ended April 30, 2011.

Amortization relating to franchise cooperations decreased from historical €1.6 million in fiscal year 2010 to *pro forma* none in the twelve month period ended April 30, 2011. The intangible asset with regard to franchise cooperations originates from the business combination which occurred when the former franchise stores in Eastern Europe were taken over by Takko at the beginning of 2009. The effects from the PPA in connection with the Acquisition overrides the effects from prior business combinations.

Amortization relating to other concessions and licenses as well as amortization relating to property and plant remained both almost unchanged in comparison with fiscal year 2010.

Depreciation relating to equipment increased by €1.6 million or 7.2% from historical €21.7 million in fiscal year 2010 to *pro forma* €23.3 million in the twelve month period ended April 30, 2011. This increase is in line with the growth of our store network. Furthermore, the item "equipment" reflects an impairment for loss making stores with a negative sales trend identified by us as part of the constant monitoring of our store portfolio. In fiscal year 2010, we identified 15 loss making stores leading to a total number of 34 stores. In the twelve month period ended April 30, 2011, the number of loss making stores was reduced by six stores representing a total number of 28 stores. The fixed assets of the loss making stores were fully depreciated and an accrual was established covering the discounted net losses until the end of the rental contract period.

Financial Result

The following table shows our financial result for the twelve month period ended April 30, 2011 and fiscal year 2010:

Financial result *(€ in thousands unless indicated otherwise)*	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma, unaudited)	*(combined, audited)*	
Finance costs	**(69,353)**	**(45,053)**	
of which, senior term loan	(38,655)	(11,727)	
of which, second lien loan	—	(5,881)	
of which, effects from amortized cost	(5,092)	(2,363)	
of which, working capital facility	(849)	(247)	
of which, finance leases	(3,475)	(3,871)	
of which, shareholder loans	(16,750)	(10,937)	
of which, interest rate hedges	(2,629)	(9,905)	
of which, other finance costs including transaction costs attributable to financing	(1,904)	(122)	
Finance income	**1,711**	**666**	
of which, interest income from bank balances/deposits	116	190	
of which, other interest income	1,505	29	
of which, interest rate hedges	90	189	
of which, loan to Advent Vision S.à r.l.	0	258	
Financial result	**(67,643)**	**(44,387)**	**52.4%**

The financial result increased by €23.3 million or 52.4% from negative historical €44.4 million in fiscal year 2010 to negative *pro forma* €67.6 million in the twelve month period ended April 30, 2011, due to an increase in finance costs on a *pro forma* basis.

The finance costs in the twelve month period ended April 30, 2011, reflect the *pro forma* interest expense, which assumes that the new Senior Facilities Agreement as well as the new shareholder loans entered into as of February 8, 2011 had been entered into as of May 1, 2010. The increase in interest expense relating to bank loans (senior term loan and second lien loan) of €21.0 million, from historical €17.6 million in fiscal year 2010 to *pro forma* €38.7 million in the twelve month period ended April 30, 2011, resulted from the increase of debt in connection with the Acquisition and from the general increase in interest rates. The effective interest rates in the twelve month period ended April 30, 2011, for the various tranches of the senior term loans A and B were 7.5%, and 7.5% (compared to 2.5% and 2.8% in fiscal year 2010), see "Quantitative and Qualitative Disclosure of Market Risks—Interest Rate Risks." The finance costs relating to the shareholder loan increased from historical €10.9 million in fiscal year 2010 to *pro forma* €16.8 million in the twelve month period ended April 30, 2011; the interest expense for fiscal year 2011 is not comparable with fiscal year 2010 data due to a different structure and volume of shareholder loans.

The increase of finance costs relating to bank loans in the twelve month period ended April 30, 2011, was partly offset by a decrease of interest expense related to interest rate hedges from historical €9.9 million in fiscal year 2010 to *pro forma* €2.6 million in the twelve month period ended April 30, 2011. The interest rate hedges concerned are interest rate swaps and caps entered into in 2011. These interest rate swaps and caps were entered into at much more favorable conditions than the previous hedging agreements which were entered into in 2007 and settled in 2011 before the closing of the Acquisition.

The finance income mainly results from financial investments of unused liquidity in the form of interest bearing bank accounts.

Income Taxes

The following table shows our income taxes for the twelve month period ended April 30, 2011 and fiscal year 2010:

Income taxes *(€ in thousands unless indicated otherwise)*	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*
	(pro forma, unaudited)	*(combined, audited)*
Deferred tax income / expense	46,855	(3,160)
Current income taxes	(13,096)	(3,114)
Total	**33,759**	**(6,274)**

In the twelve month period ended April 30, 2011, deferred tax income reflects impacts from the PPA due to the Acquisition as well as specific *pro forma* assumptions as described below. For these reasons, the deferred tax expense is not comparable with fiscal year 2010.

The PPA led to a step-up of inventories amounting to *pro forma* €151.5 million. This step-up amount was fully amortized in the 2011 Unaudited Pro Forma Consolidated Information and resulted in a deferred tax income of approximately *pro forma* €45 million.

Takko Holding GmbH and certain other German group entities carried forward, for periods prior to the Acquisition, significant losses concerning income taxes and interest expenses. As the Group had planned to establish a unified fiscal entity (*Organschaft*) in Germany at the earliest possible date after the Acquisition with effect as of May 1, 2011, remaining tax loss carry-forwards, if any, were regarded as not being realizable in the foreseeable future. The *pro forma* consolidated income statement assumes that the unified fiscal entity was established as of May 1, 2010. Thus the current and deferred income tax expenses for the period May 1, 2010 to April 30, 2011 have been calculated on the basis of the following effects:

- The actual tax loss carry-forward and the interest carry-forward (due to the German interest barrier rules (*Zinsschranke*)) of Takko Holding GmbH as of April 30, 2010 cannot be used in the foreseeable future.
- The advantages of a unified fiscal entity in Germany have been reflected.

As a result of the envisaged general changes of the tax structure in Germany as well as the impact of the other *pro forma* adjustments on the tax base, the *pro forma* consolidated income statement presents an additional *pro forma* tax expense of €2.0 million in comparison with the tax calculations for the twelve month period ended April 30, 2011, on the basis of the existing structure. As of January 31, 2013 however, the contemplated unified fiscal entity had not yet established.

In addition to this additional *pro forma* income tax expense of €2 million, the decrease of current income tax expenses from historical €3.1 million in fiscal year 2010 to *pro forma* €13.1 million in the twelve month period ended April 30, 2011, is due to general business growth and result improvements.

Liquidity and Capital Resources

Comparison of the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012

The following table shows our liquidity and capital resources (consolidated statement of cash flows) for the nine month period ended January 31, 2013 and the nine month period ended January 31, 2012 derived from the Unaudited 2013 Interim Consolidated Financial Statements:

Consolidated Statement of cash flows (€ in thousands unless indicated otherwise)	*Nine month period ended January 31, 2013*	*Nine month period ended January 31, 2012*
	(unaudited)	
OPERATING ACTIVITIES		
Loss before taxes	**(26,245)**	**(102,435)**
Adjustments to reconcile profit or loss before taxes to net cash flows		
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	45,734	31,944
Use of inventories that were measured at fair value in connection with the business combination	0	68,961
Interest income	(3,173)	(141)
Interest expenses	66,955	69,185
Gain or loss on the disposal of non-current assets	796	308
Changes in provisions and pension provisions	(415)	3,516
Changes in other positions	(1,445)	(1,374)
Working capital adjustments		
Change in trade and other receivables	(2,365)	1,439
Change in inventories	27,208	(33,753)
Change in trade and other payables	(34,159)	(14,108)
Income taxes paid	(2,158)	(5,863)
Net cash from operating activities	**70,733**	**17,679**
INVESTING ACTIVITIES		
Investment accounted for using the equity method	(523)	0
Purchase of property, plant and equipment	(19,687)	(23,697)
Purchase of intangible assets	(1,897)	(2,657)
Net investments in financial assets	(160)	0
Interest received	90	141
Net cash used in investing activities	**(22,177)**	**(26,213)**
FINANCING ACTIVITIES		
Proceeds from loans	0	81,000
Payment of finance leases	(12,492)	(12,425)
Payments for the purchase of financial instruments	(852)	(820)
Repayment of loans	(35,500)	0
Interest paid	(30,516)	(31,823)
Net cash used in/from financing activities	**(79,360)**	**35,932**
Net increase in cash and cash equivalents	**(30,804)**	**27,398**
Cash and cash equivalents at the beginning of the period	55,157	45,742
Change in cash and cash equivalents due to exchange differences	(79)	(255)
Cash and cash equivalents as of 31 January	**24,274**	**72,885**

Net Cash from Operating Activities

Net cash from operating activities increased to €70.7 million in the nine month period ended January 31, 2013 compared to €17.7 million in the nine month period ended January 31, 2012.

Comparing the nine month periods ended January 31, 2013 and 2012, the development of net cash from operating activities was primarily affected by an increase of our profit and loss before taxes, and by an improvement of the working capital adjustments attributable to a reduction of our inventory compared to an increase in the comparison period. See "—Key Performance and Financial Measures—Static Like-for-Like Net Revenue."

The increase of our profit and loss before taxes was mainly influenced by the use of inventories that were measured at fair value in connection with the Acquisition that affected the comparison period.

Net Cash Used in Investing Activities

The net cash used in investing activities changed from €26.2 million in the nine month period ended January 31, 2012 to €22.2 million in the nine month period ended January 31, 2013.

In November 2012, we invested €0.5 million in a joint venture with a local partner with a view towards entering the Russian market during the course of 2013.

We invest continuously in the opening of new stores such that approximately 60% of our capital expenditures are typically related to new store openings. A smaller portion of capital expenditures is related to the improvement of our existing store network (including capital expenditures and maintenance expenses for items such as lighting, repairs and safety measures) as well as, to a lesser extent, our central administration (including IT equipment and systems, company cars and trucks, logistics equipment etc.).

Capital expenditures decreased in the period due to savings relating to existing stores and our headquarters. The number of store openings was nearly unchanged (127 store openings on a gross basis in the nine month period ended January 31, 2012 and 117 store openings on a gross basis in the nine month period ended January 31, 2013). Capital expenditures in an amount of €17.3 million in the nine month period ended January 31, 2012 and €14.0 million in the nine month period ended January 31, 2013 were related to new store openings.

Capital expenditures for new store openings, as calculated on a "per store" basis, were slightly lower in the nine month period ended January 31, 2013 than in the nine month period ended January 31, 2012. Capital expenditure requirements for new store openings vary depending on the store format (classic Takko stores or "1982"), the store location (retail park, city center or shopping mall) and the country. "1982" stores typically require greater investments than Takko classic stores due to their larger size and more expensive interior design. In addition, "1982" stores are predominantly located in city centers and have special requirements, such as customized shop window designs. In addition, in Germany, average investments per new store opening are low compared to other markets, since the share of store openings in commercial parks with newly built and fully equipped buildings is significantly higher than in other European countries. By contrast, new stores in Eastern Europe generally require higher investments than stores in Germany, since the buildings in which our stores are located are typically not equipped with heating and electric installations and other necessary store features.

Capital expenditures for existing stores (such as for lighting, repairs and safety measures) decreased significantly by €1.7 million from €4.1 million in the nine month period ended January 31, 2012 to €2.4 million in the nine month period ended January 31, 2013.

Capital expenditures for central administration were primarily related to IT equipment and software, company cars for the sales department and executives, trucks and other logistics equipment and equipment for facility management. Capital expenditures for central administration remained relatively stable.

Net Cash Used in/from Financing Activities

The net cash from financing activities of €35.9 million in the nine month period ended January 31, 2012 changed to net cash used in financing activities of €79.4 million in the nine month period ended January 31, 2013. The cash used in financing activities was primarily affected by a repayment of the working capital facility amounting to €25.0 million as well as a voluntary prepayment of senior loans amounting to €10.5 million in the nine month period ended January 31, 2013. Net cash from financing activities in the nine month period ended January 31, 2012 was primarily affected by a shareholder loan injection of €60 million in this period and a drawing under our Existing Senior Credit Facilities in an amount of €21 million.

Comparison of fiscal year 2012 and short fiscal year 2011

The following table shows our liquidity and capital resources (consolidated statement of cash flows) for fiscal year 2012 and short fiscal year 2011 derived from the 2012 Consolidated Financial Statements:

Consolidated statement of cash flows (€ in thousands unless indicated otherwise)	*Fiscal year ended April 30, 2012*	*Short fiscal year from December 7, 2010 to April 30, 2011*
	(audited)	
OPERATING ACTIVITIES		
Loss before taxes	**(120,603)**	**(103,435)**
Adjustments to reconcile profit or loss before taxes to net cash flows		
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	41,043	9,219
Use of inventories that were measured at fair value in connection with the business combination	68,961	82,553
Interest income	(192)	(1,473)
Interest expenses	99,526	16,949
Gain or loss on the disposal of non-current assets	785	782
Change in provisions and pension provisions	2,394	(853)
Change in other positions	(1,846)	0
Working capital adjustments		
Change in trade and other receivables	7,049	6,325
Change in inventories	(34,363)	(17,352)
Change in trade and other payables	(9,034)	40,998
Income taxes paid	(7,064)	(576)
Net cash from operating activities	**46,656**	**33,137**
INVESTING ACTIVITIES		
Acquisition of subsidiaries net of cash acquired	0	(669,870)
Purchase of property, plant and equipment	(31,550)	(14,641)
Purchase of intangible assets	(3,711)	(452)
Interest received	192	245
Net cash used in investing activities	**(35,069)**	**(684,718)**
FINANCING ACTIVITIES		
Proceeds from capital increases	0	367,662
Proceeds from loans	71,000	760,260
Payment of finance leases	(16,552)	(3,986)
Payments for the purchase of financial instruments	(1,099)	(210)
Financial structuring costs	(2,776)	0
Repayment of loans	(10,500)	(417,394)
Interest paid	(42,068)	(9,040)
Net cash used in/from financing activities	**(1,995)**	**697,292**
Net increase in cash and cash equivalents	**9,592**	**45,711**
Cash and cash equivalents at the beginning of the period	45,742	88
Change in cash and cash equivalents due to exchange differences	(177)	(57)
Cash and cash equivalents as at the balance sheet date	**55,157**	**45,742**

Net Cash from Operating Activities

Due to the Acquisition in February 2011, the statement of cash flows for short fiscal year 2011 only comprises the period from December 7, 2010 to April 30, 2011 (which only includes operations of the Takko Combined Entities for the period from the Acquisition on February 8, 2011 through April 30, 2011). Thus, the cash flow data is not comparable with the data for other fiscal years.

While it is not a substitute for net cash from operations, set forth below is our calculation of Adjusted EBITDA less Capital Expenditures for fiscal year 2012 and the twelve month period ended April 30, 2011. For the twelve month period ended April 30, 2011, the amounts have been calculated on a *pro forma* basis for the Acquisition. We believe that Adjusted EBITDA less Capital Expenditures is a useful measure. However, Adjusted EBITDA less Capital Expenditures is not recognized as a measure under IFRS. Therefore, Adjusted EBITDA less Capital Expenditures should be viewed as supplemental to, but not as a substitute for, "net cash from operating activities" or for other income statement or cash flow statement data determined in accordance with IFRS.

Adjusted EBITDA less Capital Expenditures (€ in thousands, except percentages)	*Fiscal year ended April 30, 2012*	*Twelve month period ended April 30, 2011*	*Change in %*
	(unaudited)	*(pro forma unaudited)*	
Adjusted EBITDA[1]	120,458	163,476	(26.3)%
Capital expenditures	(35,261)	(38,350)	(8.1)%
Adjusted EBITDA less Capital Expenditures[1]	**85,197**	**125,126**	**(31.9)%**

1 Amounts for the twelve month period ended April 30, 2011 have been calculated on a *pro forma* basis.

Adjusted EBITDA less Capital Expenditures decreased to historical €85.2 million in fiscal year 2012 compared to *pro forma* €125.1 million in the twelve month period ended April 30, 2011. Comparing fiscal year 2012 and the twelve month period ended April 30, 2011, the development of Adjusted EBITDA less Capital Expenditures was primarily affected by the fact that Adjusted EBITDA decreased in fiscal year 2012 by an amount of €43.0 million. Capital expenditures decreased in fiscal year 2012 by an amount of €3.1 million mainly due to lower investments in existing stores and the headquarters function.

Net Cash Used in Investing Activities

Capital expenditures decreased in fiscal year 2012 compared to the twelve month period ended April 30, 2011 due to savings relating to existing stores and to our headquarters. The number of store openings was nearly unchanged (177 store openings on a gross basis in the twelve month period ended April 30, 2011 and 179 store openings on a gross basis in fiscal year 2012). Capital expenditures related to new store openings also remained nearly unchanged, from *pro forma* €24.3 million in the twelve month period ended April 30, 2011 to historical €24.1 million in fiscal year 2012.

Capital expenditures for new store openings, as calculated on a "per store" basis, were slightly lower in fiscal year 2012 than in the twelve month period ended April 30, 2011. In the twelve month period ended April 30, 2011, we opened nine new 1982 stores, as compared with eight 1982 store openings in fiscal year 2012. Capital expenditures relating to 1982 stores are generally higher than for classic Takko stores.

Capital expenditures for existing stores (such as for lighting, repairs and safety measures) decreased significantly by €2.2 million from *pro forma* €6.7 million (which included €2.2 million for the refurbishment project) in the twelve month period ended April 30, 2011 to historical €4.5 million in fiscal year 2012, as a result of the winding down of our refurbishment program. From autumn 2009 until the summer of 2010, we carried out a comprehensive refurbishment program comprising more than 1,000 Takko stores and including a make over of our corporate identity. This was a one-time project to address a need that had built up over time and was finalized in the fall of 2010.

Capital expenditures for central administration were primarily related to IT equipment and software, company cars for the sales department and executives, trucks and other logistics equipment and equipment for facility management. Capital expenditures relating to central administration decreased by €0.6 million from *pro forma* €7.3 million in the twelve month period ended April 30, 2011 to historical €6.7 million in fiscal year 2012.

Net Cash Used in Financing Activities

Net cash used in financing activities in fiscal year 2012 was affected by the proceeds from preferred equity certificates of €60.0 million and cash drawings under our revolving credit facility of €11.0 million, partially offset by the voluntary prepayment of senior loans in fiscal year 2012. Financial structuring costs in fiscal year 2012 included bank fees attributable to the consent of the financing banks to an amendment and waiver in January 2012.

Comparison of short fiscal year 2011 and fiscal year 2010

The following table shows our liquidity and capital resources (consolidated or combined statement of cash flows) for short fiscal year 2011 derived from the 2011 Consolidated Financial Information and fiscal year 2010 derived from the 2010 Combined Financial Statements:

Consolidated or combined statement of cash flows (€ in thousands unless indicated otherwise)	*Consolidated short fiscal year from December 7, 2010 to April 30, 2011*	*Fiscal year ended April 30, 2010 (combined)*
	(audited)	
OPERATING ACTIVITIES		
Profit or loss before taxes	**(103,435)**	**23,328**
Adjustments to reconcile profit or loss before taxes to net cash flows		
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	9,219	34,686
Use of inventories that were measured at fair value in connection with the business combination	82,553	0
Interest income	(1,473)	(666)
Interest expenses	16,949	45,053
Gain or loss on the disposal of non-current assets	782	1,648
Change in provisions and pension provisions	(853)	(99)
Working capital adjustments		
Change in trade and other receivables	6,325	(6,659)
Change in inventories	(17,352)	2,286
Change in trade and other payables	40,998	7,848
Income taxes paid	(576)	(2,007)
Net cash from operating activities	**33,137**	**105,418**
INVESTING ACTIVITIES		
Acquisition of a subsidiaries net of cash acquired	(669,870)	0
Purchase of property, plant and equipment	(14,641)	(31,539)
Purchase of intangible assets	(452)	(1,732)
Interest received	245	220
Net cash used in investing activities	**(684,718)**	**(33,051)**
FINANCING ACTIVITIES		
Proceeds from capital increases	367,662	—
Proceeds from loans	760,260	—
Payment of finance leases	(3,986)	(15,924)
Payments for the purchase of financial instruments	(210)	(997)
Repayment of loans	(417,394)	(7,070)
Interest paid	(9,040)	(27,319)
Net cash from/used in financing activities	**697,292**	**(51,310)**
Net increase in cash and cash equivalents	**45,711**	**21,057**
Cash and cash equivalents at the beginning of the period	88	47,698
Change in cash and cash equivalents due to exchange differences/foreign exchange gains/losses	(57)	537
Cash and cash equivalents as at the balance sheet date	**45,742**	**69,292**

Net Cash from Operating Activities

Due to the Acquisition in February 2011, the consolidated statement of cash flows for short fiscal year 2011 only comprises the period from December 7, 2010 to April 30, 2011 (which only includes operations of the Takko Combined Entities for the period from the Acquisition on February 8, 2011 through April 30, 2011). Thus, the cash flow data is not comparable with the data for fiscal year 2010.

Set forth below is our calculation of Adjusted EBITDA less Capital Expenditures for the twelve month period ended April 30, 2011 and fiscal year 2010.

Adjusted EBITDA less Capital Expenditures (€ in thousands, except percentages)	*Twelve month period ended April 30, 2011*	*Fiscal year ended April 30, 2010*	*Change in %*
	(pro forma) (unaudited)	*(combined) (unaudited)*	
Adjusted EBITDA[1]	163,476	115,383	41.7%
Capital expenditure	(38,350)	(33,271)	15.3%
Adjusted EBITDA less Capital Expenditures[1]	**125,126**	**82,112**	**52.4%**

1 Amounts for the twelve month period ended April 30, 2011 have been calculated on a *pro forma* basis.

Adjusted EBITDA less Capital Expenditures increased to *pro forma* €125.1 million in the twelve month period ended April 30, 2011, compared to historical €82.1 million in fiscal year 2010.

Comparing fiscal year 2010 (on a historical basis) and the twelve month period ended April 30, 2011 (on a *pro forma* basis), the development of Adjusted EBITDA less Capital Expenditures was primarily affected by a substantial increase of Adjusted EBITDA in the twelve month period ended April 30, 2011, by an amount of €48.1 million as a result of the development of our operating performance described above under "—Comparison of the twelve month period ended April 30, 2011, and fiscal year 2010." This increase contributed positively to the generation of additional Adjusted EBITDA less Capital Expenditures. Capital Expenditures increased in the twelve month period ended April 30, 2011 by an amount of €5.1 million mainly due to increased store expansion.

Capital Expenditures in the period were affected by a considerably increased cash expense due to an increased number of store openings (139 store openings in fiscal year 2010 and 177 store openings in the twelve month period ended April 30, 2011) and a decreased cash expense in existing stores due to high one-time expenses for the store re-launch project in fiscal year 2010. In total this led to an amount for new store openings of historical €15.2 million in fiscal year 2010 and *pro forma* €24.3 million in the twelve month period ended April 30, 2011 which was partially offset by lower investments in store refurbishments in the twelve month period ended April 30, 2011 (*pro forma* €2.2 million, compared to historical €6.9 million in fiscal year 2010).

Capital Expenditures for new store openings, as calculated on a "per store" basis, were higher in the twelve month period ended April 30, 2011, than in fiscal year 2010. Our capital expenditures calculated on a "per store" basis benefited from a decrease of prices for certain services and goods related to the refurbishment program as a result of the economic and financial crisis in fiscal year 2010. In the twelve month period ended April 30, 2011, we opened nine new 1982 stores in comparison with three store openings in 2010.

Capital Expenditures and maintenance expenses for existing stores (such as for lighting, repairs and safety measures) decreased significantly by €4.7 million from historical €11.4 million (which included historical €6.9 million for the refurbishment project) in fiscal year 2010 to *pro forma* €6.7 million (which included *pro forma* €2.2 million for the refurbishment project) in the twelve month period ended April 30, 2011, as a result of the winding down of our refurbishment program. The maintenance expenses excluding costs of the refurbishment project amounted to €4.5 million both in fiscal year 2010 on a historical basis and in the twelve month period ended April 30, 2011 on a *pro forma* basis .

Capital Expenditures for central administration were primarily related to IT equipment and software, company cars for the sales department and executives, trucks and other logistics equipment and equipment for facility management. In fiscal year 2010, we started to roll out a new cashier system in connection with the store refurbishment program in all stores on a Europe-wide basis. This roll-out was successfully completed in the beginning of 2011. In mid-April 2011, we began the blue print phase of a new IT project to implement a new SAP Retail merchandise management system.

Net Cash Used in Financing and Investing Activities

On February 8, 2011, funds advised by Apax acquired us from Advent Vision S.à r.l. for €1.4 billion. Sources of financing for the Acquisition comprised €496.1 million of equity from Salsa Retail Holding MidCo S.à r.l. contributed to Salsa Retail Holding DebtCo 1 S.à r.l., preferred equity certificates of €258 million (thereof: €100 million representing a vendor loan contributed by Advent Vision S.à r.l. to Salsa Retail Holding MidCo S.à r.l.) and €600 million of drawn term loans under the €850 million Senior Facilities Agreement.

This transaction is reflected in the financing and investing cash flow of the consolidated cash flow statement of the short fiscal year from December 7, 2010 to April 30, 2011 as follows:

The consideration transferred for the shares of the Group acquired by Salsa Retail Holding DebtCo 1 S.à r.l. amounted to €669.9 million. This represents the consideration transferred as cash payment of €759.8 million less cash acquired of €89.9 million.

Furthermore, a shareholder loan of €202.4 million has been assigned by Advent Vision S.à r.l. to Salsa Retail Holding MidCo S.à r.l. in the course of the Acquisition. The assigned shareholder loan has been contributed partly as equity of €128.4 million and as consideration for preferred equity certificates of €74 million.

In addition, term loans and second lien loans of €417.4 million under the former Senior Facilities Agreement have been repaid in the short fiscal year 2011.

The total equity contribution to Salsa Retail Holding DebtCo 1 S.à r.l. of €496.1 million is reflected as shareholder loan contribution of €128.4 million and as cash proceeds from capital increases of €367.7 million in the short fiscal year 2011.

The proceeds from loans comprise term loans of €600 million under our existing senior facilities agreement less bank fees of €38.5 million, preferred equity certificates of €258 million less contribution of the assigned shareholder loan of €74 million and cash drawings under our revolving credit facility of €19 million, less miscellaneous other impacts of €4 million.

Investments

In fiscal year 2010, the twelve month period ended April 30, 2011, fiscal year 2012 and the nine month period ended January 31, 2013, we opened, on a gross basis, on average more than 150 new stores per year. Before the summer of 2010, we carried out the comprehensive refurbishment program comprising more than 1,000 of our stores and including the make-over of our corporate identity. Investments relating to our central activities refer primarily to IT as well as to our truck fleet and other equipment used for our logistics organization.

Major Investments in the Nine Month Period Ended January 31, 2013, Fiscal Year 2012, the Twelve Month Period Ended April 30, 2011 and Fiscal Year 2010

The main investments in the nine month period ended January 31, 2013 related to the opening of new stores with 117 gross store openings during this period and 127 in the nine month period ended January 31, 2012. In connection with the opening of new stores, we invested €14.0 million for the nine month period ended January 31, 2013 and €17.3 million for the nine month period ended January 31, 2012. In connection with existing stores, we invested €2.4 million for the nine month period ended January 31, 2013 and €4.1 million for the nine month period ended January 31, 2012. For our central administration, we invested €5.2 million for the nine month period ended January 31, 2013 and €5.0 million for the nine month period ended January 31, 2012.

In fiscal year 2012, we invested historical €24.1 million in connection with the opening of new stores, historical €4.5 million in connection with existing stores and historical €6.7 million for our central administration. The main investments in fiscal year 2012 related to the opening of new stores with 179 gross store openings during this period. In the twelve month period ended April 30, 2011, we invested *pro forma* €24.3 million in connection with the opening of new stores, *pro forma* €6.7 million in connection with existing stores (including the store refurbishment program with a residual investment of €2.2 million) and *pro forma* €7.3 million for our central administration. The largest investment in the twelve month period ended April 30, 2011, in the amount of *pro forma* €24.3 million, relates to the opening of new stores with 177 gross store openings achieved during this period. The refurbishment program was largely finished in fiscal year 2010 so that only residual stores have been renovated during the twelve month period ended April 30, 2011, resulting in capital expenditures of *pro forma* €2.2 million. In addition, the roll-out of the new cash management system (including cash register hardware and software) was finalized at the beginning of 2011.

In fiscal year 2010, we invested €15.2 million in connection with the opening of new stores, €11.4 million in connection with existing stores (including the store refurbishment program), €0.2 million in relation to store closings and €6.6 million for our central administration. The main investments in fiscal year 2010 in the amount

of €6.9 million relate to the comprehensive refurbishment program covering a large number of our stores. The project included, *inter alia*, the renewal of floors, new corporate identity (change of our logo and virtual merchandizing in the stores), renewal of the lighting system and the renewal of cash desk areas. The renovation steps were defined for each store individually in order to ensure a uniform store quality throughout the entire Takko store portfolio. The refurbishment program was largely finished in fiscal year 2010. In addition, in February 2010, in connection with our refurbishment program, we initiated a roll-out of a new cash management system (including cash register hardware and software) implemented in all Takko stores. Towards the end of fiscal year 2010, approximately €3.5 million was invested in such roll-out.

Ongoing and Approved Investments

We expect that the bulk of our investments in the future will relate to the opening of new stores and to improvements in our existing store network as well as logistics, energy efficiency, e-commerce and overall improvements of existing IT-systems or a new facility management system. In the medium term, we plan to continue our store expansion strategy. The overall pace and geographic split of our expansion will be driven by the opportunities that we see in the various markets.

In 2011, our management board decided to replace Robitex (merchandise management and control system including warehouse management system) by SAP-Retail. The project started in the twelve month period ended April 30, 2011, and is scheduled to go live in the near future. So far, approximately €5 million has been spent, and management expects to invest an additional €3 million in this project. All of our stores and warehouses will be affected by this replacement.

Liabilities

The following table shows our liabilities as of January 31, 2013, April 30, 2012, 2011 and 2010:

Liabilities (€ in thousands unless indicated otherwise)	*As of*			
	January 31, 2013	*April 30, 2012*	*April 30, 2011*	*April 30, 2010*
	(unaudited)		*(audited)*	
NON-CURRENT LIABILITIES	**1,001,687**	**989,933**	**943,375**	**692,553**
of which, subordinated shareholder loans[1]	360,137	341,670	261,910	193,213
of which, liabilities to banks	529,633	537,953	558,390	435,858
of which, financial liabilities from finance leases	29,587	29,257	30,374	34,394
of which, derivative financial instruments	19,543	23,964	3,050	4,655
CURRENT LIABILITIES	**233,786**	**278,303**	**269,148**	**158,749**
of which, liabilities to banks	39,603	57,020	31,808	5,410
of which, financial liabilities from finance leases	11,572	12,087	14,471	13,838
of which, rent liabilities and other financial liabilities portion of other liabilities	9,145	4,958	6,591	4,844
of which, derivative financial instruments	19,907	10,904	15,589	7,341

1 Disclosed as shareholder loans in the 2010 Combined Financial Statements.

Our liabilities consist predominantly of obligations arising from the senior term loans as well as the financing facilities provided by certain shareholders in the form of shareholder loans. In total, financial liabilities from interest bearing loans amounted to €929.4 million as of January 31, 2013, €936.6 million as of April 30, 2012, €852.1 million as of April 30, 2011 (€31.8 million of which represented current liabilities and €820.3 million non-current liabilities) and €634.5 million as of April 30, 2010 (€5.4 million of which represented current liabilities and €629.1 million non-current liabilities).

Furthermore, we have capitalized approximately 170 to 180 store lease agreements and the lease agreement for an office building in Telgte, Germany, which qualify as so-called finance leases. The present value of the future minimum lease payments from these finance leases amounted to a total of €41.2 million as of January 31, 2013, €41.3 million as of April 30, 2012, €44.8 million as of April 30, 2011 and €48.2 million as of April 30, 2010.

In February 2011, we concluded interest rate swaps with an original notional amount of €300.0 million and a term until February 22, 2014 as well as interest rate caps with an original notional amount of €200.0 million and a term until February 22, 2014 to hedge interest rate risks. In February 2012, we adjusted the hedging tenor

of the interest rate swaps by February 23, 2015. As of January 31, 2013, the notional amounts of these interest rate swaps were €289.5 million and of these caps were €193.0 million; the market value of the swap agreement amounted to negative €10.0 million and the market value of the cap agreement amounted to approximately zero.

Rent and other financial liabilities mainly comprise current rent liabilities relating to lease payments, costs of services and brokerage commissions. Such rent liabilities amounted to €5.2 million as of January 31, 2013, €4.1 million as of April 30, 2012, €4.6 million as of April 30, 2011 and €3.6 million as of April 30, 2010.

Contingent Liabilities and Other Financial Obligations

The following table shows our contingent liabilities and other financial obligations as of January 31, 2013, broken down by item and remaining term:

Contingent liabilities and other financial obligations (€ in thousands unless indicated otherwise)	*As of January 31, 2013*				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
			(unaudited)		
Obligations from operating leases	134,139	122,823	269,982	154,356	681,300
Purchase commitments	222,191	0	0	0	222,191
Total contingent liabilities and other financial obligations	**356,330**	**122,823**	**269,982**	**154,356**	**903,491**

The obligations from operating leases relate to lease agreements for stores, warehouses, offices as well as for furniture, fixture and office equipment. In general, such lease agreements have a remaining term of between one and ten years. The nominal value from operating leases amounted to €681.3 million as of January 31, 2013.

The purchase commitments comprise obligations from purchases of merchandise. These obligations are short term and due in up to one year. They amounted to €222.2 million as of January 31, 2013.

We regularly use trade letters of credit in order to support our supplier obligations and in order to achieve attractive payment terms for us. Upon the due date of the supplier payments the letters of credit are paid by the banks with funds from our cash position.

In addition to the on-balance sheet financial liabilities to banks from the senior term loan (see above "—Liabilities"), we had off-balance sheet bank facilities in place as of January 31, 2013: a facility for letters of credit of €172.3 million which was utilized in the amount of €117.0 million as of January 31, 2013 as well as a bank guarantee facility of €10.0 million for rental contracts as part of the existing revolving credit facility which was drawn in the amount of €9.5 million as of January 31, 2013. Revolving facilities for working capital needs in an amount of €40 million were in place with a drawing amount of €5 million as of January 31, 2013. In addition, an additional working capital facility in an amount of €27.7 million was available for either cash drawings or letters of credit.

Pension Liabilities

We have a defined benefit plan that we closed to new participants. Existing pension obligations are recognized in accordance with the provisions of IAS 19. The present value of the defined benefit obligations amounted to €2.0 million as of January 31, 2013, as compared to €2.1 million as of April 30, 2012, €2.0 million as of April 30, 2011 and €2.1 million as of April 30, 2010.

Quantitative and Qualitative Disclosure of Market Risks

We are exposed to various market risks as part of our business activities, which are intrinsically linked to our business dealings. Several of these risks are described in detail in the "Risk Factors" section. We handle these risks using a risk management system, which forms an integral part of our business processes and is a key factor in business decisions. It aims to identify potential risks in connection with our business activities at an early stage, to monitor them and to take suitable measures to limit them. The key elements of the risk management system include the planning system, internal reporting and integrated risk reporting.

The main risk areas that may have a material influence on our business performance as well as our financial position and results of operations are set out below:

Currency Risks

Whereas only a small part of our net revenue is recorded in currencies other than the euro (approximately 18% for the nine month period ended January 31, 2013, mainly relating to the Swiss francs, the Czech koruna, the Hungarian forint, the Romanian leu and the Polish złoty as well as the Croatian kunas), a significant part of our cost of materials (approximately 70% for the nine month period ended January 31, 2013) is incurred in currencies other than the euro, predominately in U.S. dollars. For this reason, our results of operations are influenced by fluctuations in the relative values of the currencies most relevant to us, particularly the euro and the U.S. dollar. The exchange rates (mid-rates) for the conversion of U.S. dollar into euro as of January 31, 2013, April 30, 2012, 2011 and 2010 as well as the average rate for the conversion of U.S. dollar into euro at which we were hedged during the nine month period ended January 31, 2013, fiscal year 2012, the twelve month period ended April 30, 2011, and fiscal year 2010 are as follows:

	Mid-rate on balance sheet date				*Average rate of hedging*			
	January 31, 2013	*April 30, 2012*	*April 30, 2011*	*April 30, 2010*	*January 31, 2013*	*April 30, 2012*	*April 30, 2011*	*April 30, 2010*
			In U.S.$				*In U.S.$*	
1 euro	1.36	1.32	1.49	1.33	1.36	1.39	1.41	1.38

In line with our hedging policy, we continuously enter into currency forward transactions and currency options to hedge transactional currency exposure related to our merchandise purchases from Asia that are primarily concluded in U.S. dollars. The euro / U.S. dollar currency exposure is generally managed on a rolling 18 months hedging strategy to mitigate fluctuations of the purchase price or other purchase-related payables. We seek to ensure that a certain minimum percentage of projected U.S. dollar payments is hedged, such minimum percentage at any time being 90% for the first six months, 50 to 75% for months seven to twelve and up to 50% from months 13 to 18. On the basis of this hedging policy we aim to reduce our exposure to short-term currency volatility.

The notional amount of U.S. dollar forward transactions relating to trade payables or purchase commitments which have not been fulfilled amounted to $343.1 million as of January 31, 2013, $353.3 million (€257.4 million) as of April 30, 2012, $349.0 million (€251.4 million) as of April 30, 2011, and to $246.8 million (€170.8 million) as of April 30, 2010. The currency forward transactions had a market value of negative €10.0 million as of January 31, 2013, €10.1 million as of April 30, 2012, negative €15.1 million as of April 30, 2011 and of €14.3 million as of April 30, 2010. In October 2010, we entered into currency options to hedge transactional U.S. dollar / euro currency exposure for the first time. A total notional amount of €50.0 million was covered until January 2012. The notional amount of U.S. dollar currency options relating to trade payables or purchase commitments which have not been fulfilled amounted to zero as of January 31, 2012 and $50.0 million as of April 30, 2011. The currency options had a positive market value of zero as of January 31, 2012 and €0.5 million as of April 30, 2011.

The exchange rate sensitivity of the adjusted gross margin is calculated by assuming a 10% appreciation (depreciation) of the U.S. dollar relative to the euro. In the nine month period ended January 31, 2013, fiscal year 2012, the twelve month period ended April 30, 2011 and fiscal year 2010, this assumed appreciation (depreciation) would have resulted in an average decrease (increase) of the adjusted gross margin of approximately -2.9 percentage points (2.4 percentage points). In the short term, the effect of currency exchange volatility on the adjusted gross margin is reduced when taking into account the currency forward transactions and currency options which Takko uses to hedge the transactional currency exposure related to its merchandise purchases from Asia.

Interest Rate Risks

We are exposed to interest rate fluctuations, in particular in connection with our financing agreements. Effective interest rates for our outstanding loans (i.e., the interest rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability), without taking into account interest rate hedges, as of January 31, 2013, April 30, 2012, 2011 and 2010 were as follows:

	Effective interest rate as of balance sheet date			
	January 31, 2013	*April 30, 2012*	*April 30, 2011*	*April 30, 2010*
	in percentage			
Senior Term loan—tranche A	8.2%	8.4%	7.5%	2.5%
Senior Term loan—tranche B	8.1%	8.3%	7.5%	2.8%
Senior Term loan—tranche C	N/A	N/A	N/A	3.6%
Second Lien loan	N/A	N/A	N/A	7.2%
Shareholder loans	7.0%	7.0%	7.0%	6.0%

The base rate for the bank loans is the greater rate of EURIBOR or 1.5%. We use interest rate swaps (payer swaps) and interest rate caps to hedge the interest rate risk from the floating-rate loans.

As of January 31, 2013, the interest rate swaps had a notional value of €289.5 million with a term until February 23, 2015. Under these interest rate swaps, we receive a variable interest rate based on one-month EURIBOR and pay a fixed interest rate of 1.6% for the period from February 22, 2011 to August 22, 2012 and a fixed interest rate of 2.1675% for the period from August 22, 2012 to February 23, 2015.

In addition, as of January 31, 2013, 33% of the aggregate principal amount of term loan A and term loan B was hedged by means of interest rate options using interest rate caps. As of January 31, 2013, the interest rate caps had a notional value of €193.0 million and a term until September 22, 2014. The instrument of the cap ties the interest rates for the bank loans to one-month EURIBOR with a cap at 2.0%.

If the market interest rate had been 100 basis points higher (lower) than the average interest rate in the nine month period ended January 31, 2013, the interest expenses relating to the bank loans would have been €1.1 million higher, reflecting the impact of the EURIBOR floor of 1.5%. The effect of the interest rate volatility on the interest expense relating to bank loans payable by us is reduced when taking into account the interest rate swaps and interest rate caps which we use to hedge the interest rate risk arising from the floating-rate loans.

Following the Offering and the Refinancing, our financial debt will continue to be exposed to interest rate risk. The Revolving Credit Facility and the Floating Rate Senior Secured Notes bear interest at a variable rate and are therefore dependent on market trends. Although we are not obligated to do so, we intend to either adapt our existing interest rate hedging agreements or enter into new interest rate hedging agreements to secure a certain interest rate level following the Offering and the Refinancing.

Selected Critical Accounting Policies

The preparation of our consolidated or combined financial statements requires management to make estimates and assumptions, based on historical experience and various other factors that are considered to be reasonable under the circumstances, and that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Our 2012 Consolidated Financial Statements and 2011 Consolidated Financial Statements included elsewhere in this offering memorandum comply with IFRS as adopted by the EU as of the date of such financial statements. Our 2010 Combined Financial Statements included elsewhere in this offering memorandum comply with IFRS as adopted by the EU taking into account the basis of preparation described in Note 1 to the 2010 Combined Financial Statements. In the future, the adoption of new or revised standards or interpretations relating to the presentation of net assets, our financial position or results of operations may have a material effect on our future consolidated financial statements. For example, a new standard relating to the accounting for leases may result in significant shifts between "lease payments incl. costs for services," "depreciation and amortization expenses" and "financial result" in our consolidated income statement as well as significant increases of the line items "fixed assets" and "financial liabilities" in our consolidated balance sheet.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Acquisition-related transaction costs are recognized as an expense and shown under other operating expenses. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

We determine the value of the intangible assets in accordance with applicable accounting principles, and there is no systematic amortization of the goodwill. The impairment test of the goodwill is based on the expected cash flows of the cash generating unit or group of cash generating units. An impairment loss has to be recognized if the recoverable amount of the cash generating unit is less than its carrying amount, as negative impacts on the recoverable amount need to be taken into consideration.

Where goodwill forms part of a cash generating unit and part of the operations within that unit is disposed of, the goodwill attributable to the operations disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill so disposed of is measured based on the relative values of the operations disposed of and the portion of the cash generating unit retained.

Impairment of Non-Financial Assets

On each balance sheet date, we assess whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, we make an estimate of the asset's recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less sales-related costs and its value in use and is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

With the exception of goodwill and intangible assets with an indefinite useful life, assets are assessed at each balance sheet date as to whether there are indications that an impairment loss previously recognized no longer exists or has decreased. If such an indication exists, we estimate the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Any reversal is included in the profit or loss for the period.

Goodwill and intangible assets with an indefinite useful life are tested annually for impairment.

Inventories

Inventories are measured in accordance with IAS 2 at the lower of cost or net realizable value. Cost is determined on an item-by-item basis and includes gains and losses on qualifying cash flow hedges in respect of the purchases of goods recognized in equity. Sales-related and other risks are taken into account in the calculation of the net realizable value where necessary. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to conduct the sale. Consumables and supplies are recognized at the lower of cost or net realizable value.

Provisions

Provisions are recognized when we have a present obligation (legal or implied) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where we expect some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset

when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where provisions are discounted, the increase in the provision over time is recognized as a finance cost.

Leases

Whether an arrangement contains a lease is determined on the basis of the economic substance of the arrangement at the time of conclusion and requires an assessment as to whether fulfillment of the contractual arrangement is dependent on the use of a certain asset or assets and whether the arrangement provides for the right to use the asset.

Finance leases, which transfer to us substantially all the risks and benefits incidental to ownership of the leased item, are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are partly allocated to finance costs and partly to the reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized immediately in profit or loss. Based on an evaluation of the terms and conditions of the leases, we have determined that it retains the significant risks and rewards for approximately 170 to 180 of our store leases and for the office lease for an office building in Telgte, Germany. As a result thereof, we classified and recognized these agreements as finance leases.

If there is no reasonable certainty that we will obtain ownership by the end of the lease term, the leased asset recognized is depreciated over the shorter of the estimated useful life of the asset and our lease term.

Operating lease payments are recognized as an expense in the income statement at the actual amount of the lease payments made.

Deferred Taxes

Deferred taxes are recognized with respect to temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for accounting purposes, taking into account available tax loss carry-forwards. The calculation of the amount of the deferred tax assets requires material judgment on the part of management as regards the amount and timing of the future taxable income.

Deferred tax liabilities and assets are recognized for all taxable temporary differences, except:

- where the deferred tax assets/liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are also recognized with respect to unused tax credits when such tax credits are generally utilizable and it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which at least part of the deferred tax asset can be utilized. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period during which the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Future changes in tax rates must be taken into account as at any given balance sheet date the legislative proceedings relating to such future changes have reached a stage where all substantive requirements for the effectiveness of the future change in tax rates have been fulfilled. Deferred taxes relating to items recognized directly in equity are also recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Pensions and Other Post-Employment Benefits

We have a defined benefit plan for a limited group of people (48 as of January 31, 2013) from a previous business combination. These benefits are unfunded. As of January 31, 2013, the provisions for pensions and similar obligations amounted to €2.0 million, compared to €2.1 million at April 30, 2012.

We determine the expense related to the defined benefit plan using the projected unit credit method. The actuarial calculations involve assumptions about discount rates, the expected return on plan assets, future wage and salary increases, mortality rates and future pension increases. As these plans are of a long-term nature, such estimates are highly uncertain. Actuarial gains and losses are recognized immediately in profit or loss. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.

INDUSTRY

Generally, the market information presented below in this section is taken or derived from the cited sources. Market data are inherently forward-looking and subject to uncertainty and do not necessarily reflect actual market conditions. They are based on market research, which itself is based on sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below are based on our own proprietary information, insights, subjective opinions or unsubstantiated estimates, and not on any third-party or independent source; these statements contain words such as "we estimate," "we expect," "we believe" or "in our view," and as such do not purport to cite to or summarize any third-party or independent source and should not be so read.

Value Fashion Market Overview

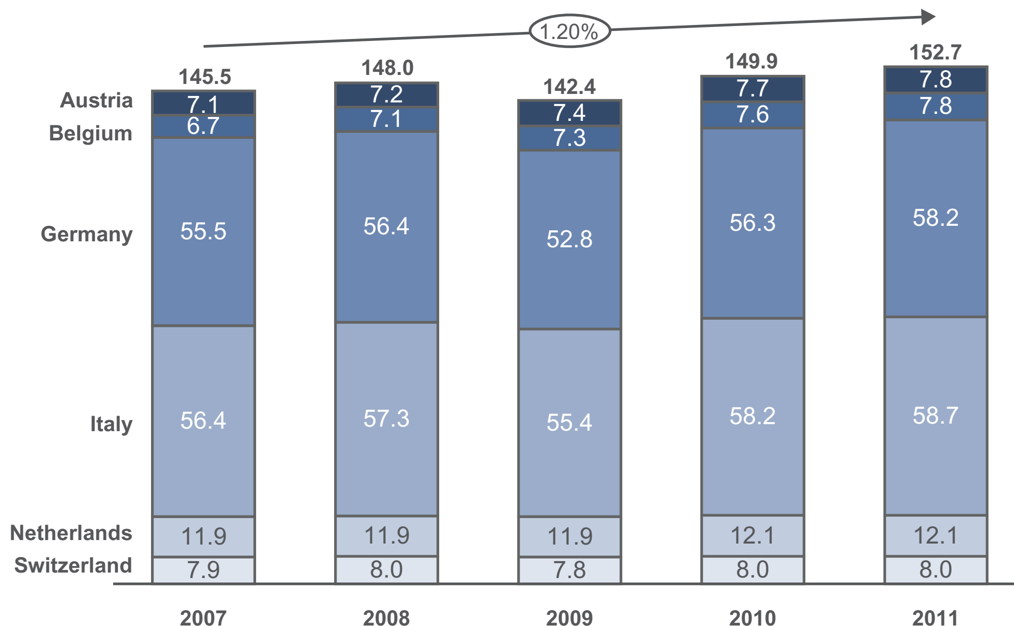
We are an apparel retailer operating in the European value fashion market, offering casual clothing and accessories for women, men and children at low prices.

The European apparel retail market was estimated to be valued at around €305 billion in 2011, measured by total sales (Source: Mintel 2012). The apparel retail market can be divided into different segments: the high priced luxury and upper segments, the medium priced middle and low-mainstream segments and the low priced value and discount segments.

Retailers in the value fashion market segment in general have adopted a low price and high volume strategy as the main driver of their business. Value fashion products range from basic items without any fashion attributes to fashion items which adapt current trends and are offered at low prices targeting low to middle-income consumers, in particular with an affinity for fashion. The value fashion market segment can be differentiated from the discount apparel segment where traditional discount retailers such as KiK or NKD and non-specialists like food discounters focus on simple basic apparel products at lower prices than retailers in the value fashion market segment. On the other hand, value fashion retailers can be distinguished from apparel retailers in the low-mainstream segment such as Esprit or ZARA which are considered to be more fashion-oriented and whose products are offered at relatively higher prices.

Western and Central Europe including Germany

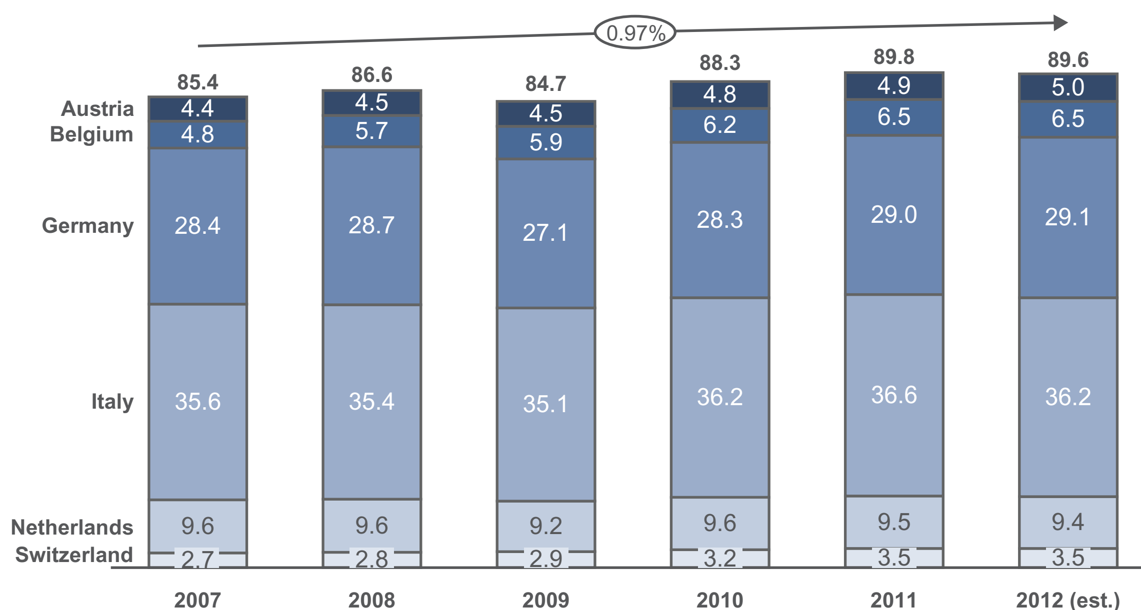
The following table shows the apparel gross retail sales in some of the Western and Central European countries in which we operate, for the time period from 2007 to 2011 in € billion (Source: Mintel 2012):



These Western and Central European apparel retail markets in which we operate generated €145.5 billion in gross sales in 2007. Gross sales grew at a CAGR of 1.2% between 2007 and 2011 (€152.7 billion) (Source: Mintel 2012). The total value of the overall German apparel retail market – the most important market for Takko—rose from €55.5 billion in 2007 to €58.2 billion in 2011, recording a CAGR of 1.2% (Source: Mintel 2012). By contrast, the Belgian apparel retail market experienced a relatively high CAGR of 3.8% from 2007 to 2011, while Switzerland during the same period grew only by 0.4% (Source: Mintel 2012).

Apparel is sold through different channels. In particular, the Mintel 2012 report distinguishes between four different sales channels: (i) clothing specialists, which is the channel that Takko competes in, (ii) hypermarkets, (iii) grocers and (iv) other. These different channels have a varying weight in different European countries. However, in Takko's markets clothing specialists are by far the dominant channel. The following tables therefore generally focus on the clothing specialist channel.

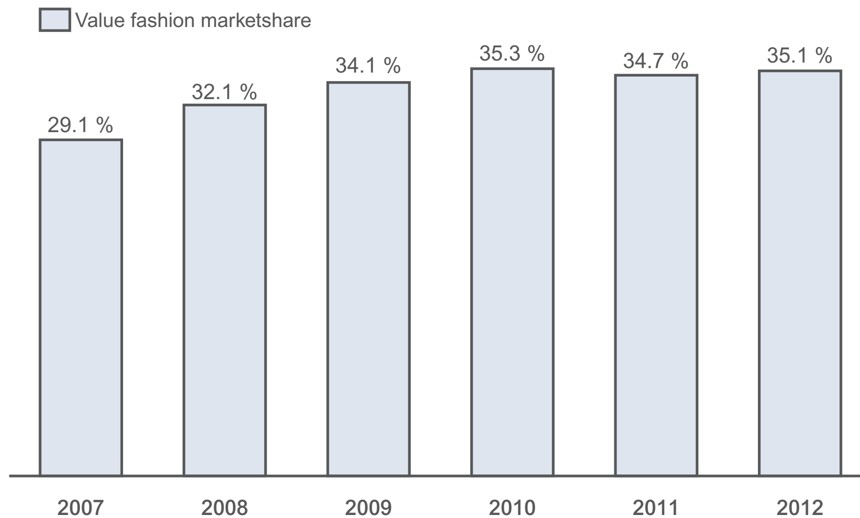
The following table shows the apparel clothing specialist retail sales (excluding VAT) in the above-mentioned Western and Central European countries in which we operate, for the time period from 2007 to 2011 in € billion (Source: Mintel 2012):



The Mintel 2012 report estimates that clothing specialist retail sales (excluding VAT) in 2012 amounted to a total of €89.6 billion, divided into €5.0 billion for Austria, €6.5 billion for Belgium, €29.1 billion for Germany, €36.2 billion for Italy, €9.4 billion for the Netherlands and €3.5 billion for Switzerland.

Germany

The following table shows the development of market share of German value fashion retailers (including the fashion retailers C&A, H&M, NewYorker, Takko, Ernstings Family, Charles Vögele, TJX, as well as shoe retailers Deichmann and Reno) for the period from 2007 to 2012 (Source: Euromonitor 2012):



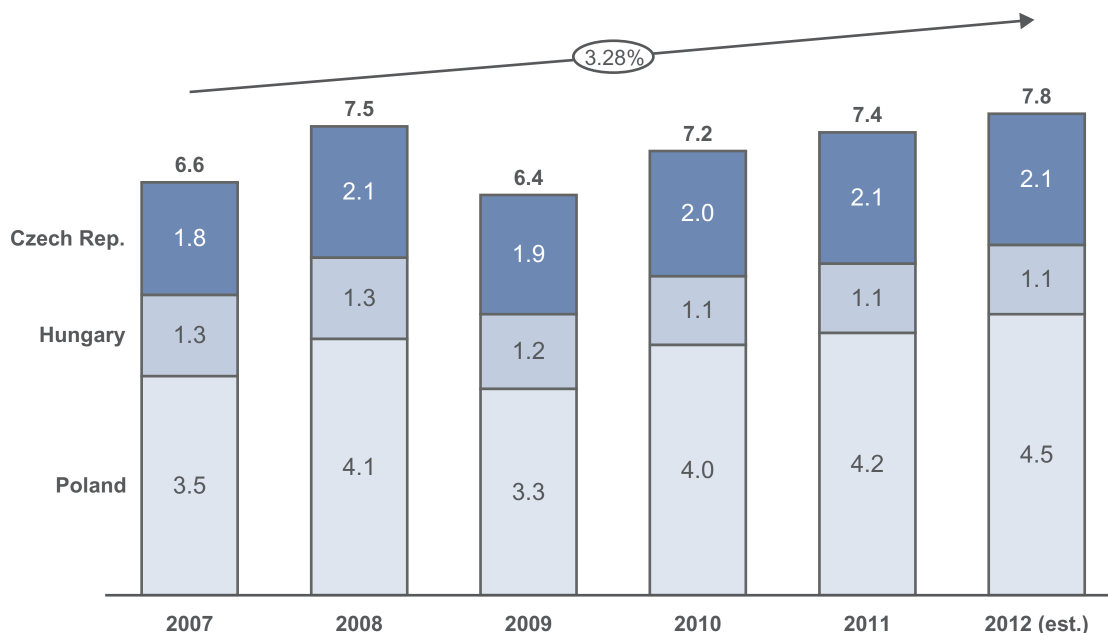
While there was a significant market share increase of these retailers during the economic crisis, their market share has been stable from 2010 to 2012.

With respect to distribution channels, over the last decade chains and vertically integrated retailers have increased their market share, benefitting from economies of scale and consumer-centered business models throughout different economic cycles. See "—Vertically Integrated Retailers" below.

With regards to the various segments—women's wear, men's wear and children's wear—women's wear accounted for the majority of sales in the German apparel retail sector in 2011 with a share of 54.2%. Men's wear accounted for 31.6% of sales and children's wear for 14.2% (Source: Marketline 2012).

Eastern Europe

The following table shows the apparel clothing specialist retail sales (excluding VAT) for three major Eastern European countries in which we operate, for the time period from 2007 to 2012 (estimated for 2012) in € billion (Source: Mintel 2012). No data was available in the Mintel 2012 report for Slovakia, Slovenia, Croatia, Serbia, Lithuania and Romania, which combined represent approximately 8% of our total sales.



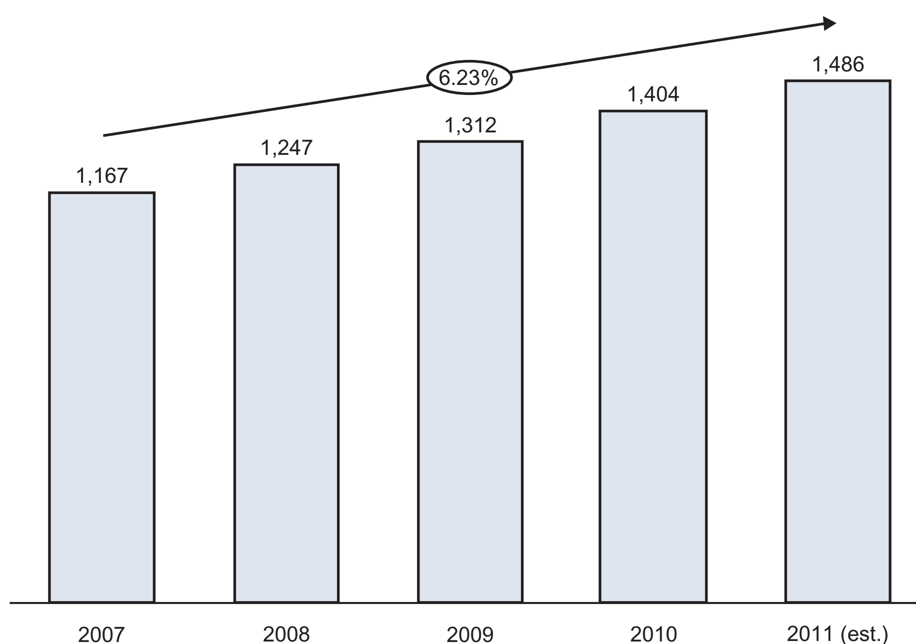
The apparel clothing specialist retail sales (excluding VAT) in these Eastern European countries significantly increased from 2007 (€6.6 billion) to 2012 (€7.8 billion) at a CAGR of 3.3% despite the economic downturn in 2008 and 2009 (Source: Mintel 2012).

The Mintel 2012 report estimates that clothing specialist retail sales (excluding VAT) in 2012 in the Czech Republic, Hungary and Poland amounted to a total of €7.8 billion, divided into €2.1 billion for the Czech Republic, €1.1 billion for Hungary and €4.5 billion for Poland.

In our view, international value fashion retailers such as C&A, H&M or New Yorker are gaining market shares from local companies, driving sector consolidation in Eastern Europe. However, market penetration by international retailers is still estimated to be substantially lower in Eastern Europe compared to Western and Central Europe.

Russia

Takko recently established a joint venture with a view towards entering the Russian market during the course of 2013. The following table shows the Russian apparel retail sales in billion RUBs (Source: Marketline 2012) from 2007 to 2011.



The apparel retail sales in Russia significantly increased from 2007 (RUB 1,167 billion) to 2012 (RUB 1,486 billion) at a CAGR of 6.2% despite the economic downturn (Source: Marketline 2012).

Market Trends and Growth Drivers in Value Fashion Retail

In our view, the Central and Western as well as the Eastern European value fashion markets are characterized by the following trends and growth drivers:

Shift to the Value Fashion Market Segment

In Western and Central Europe, we believe that growth in the value fashion market segment is driven by fundamental shifts in consumer behavior and not only by macroeconomic development. In particular this is driven by the increased acceptance of value fashion retail brands by consumers due to improvements in product quality (materials, trim, durability or fit) and fashion credentials making the value fashion segment an overall more attractive proposition for the customers and clearly differentiating it from discount retailers.

In Eastern Europe, the value fashion segment of the apparel market is still positioned slightly differently compared to more mature markets in Western and Central Europe. Eastern European markets are characterized by lower gross domestic product per capita (for example $18,600 in the Czech Republic, $12,800 in Poland and

$12,900 in Hungary, per capita in 2012) in comparison to Western and Central Europe (on average $44,900 per capita in 2012 in Western and Central European countries in which we operate, including Portugal) resulting in lower per capita spending. While in 2012 the Western and Central European average per capita spending on apparel was $1,084 (average of Germany, Austria, Switzerland, the Netherlands and Belgium), per capita spending in Eastern Europe for the same year was substantially lower (for example, $338 in the Czech Republic, $310 in Poland and $237 in Hungary, per capita in 2012). Accordingly, in Eastern Europe, value fashion retailers seem to target middle class consumers, while in Western and Central Europe, they mainly focus on consumers with lower disposable income or price conscious consumers. Eastern European countries, however, are expected to deliver per head gross domestic product growth at higher rates than mature Western European markets. We therefore believe that in the long run, there is potential to reduce the gap to the Western and Central European market in terms of spending per capita. We believe that the value fashion market segment—being the medium-priced segment in the Eastern European markets—will benefit from the expected growth of the overall apparel market in line with increasing purchasing power of the local consumers. Given existing presence in these markets, Takko appears to be well positioned to benefit from the positive trends and economic growth.

Vertically Integrated Retailers

Vertical integration in the fashion industry essentially means that each individual company controls multiple levels in the entire value chain from assortment creation and production to sale, which is generally advantageous in terms of achieving competitive pricing, consistent product quality, shorter delivery cycles, effective in-store merchandizing and control of retail space. Vertically integrated fashion retail companies typically operate an efficient supply chain with in-house design teams, significant Far East and other low-cost country sourcing and sometimes even with short lead-times. We believe that the share of sales accounted for by vertically integrated retailers as a percentage of overall clothing sales will continue to increase, after having grown from 33.9% in 2007 to 40.8% in 2012 in Germany (Source: Euromonitor 2012; vertically integrated fashion apparel players (including some shoe retailers) in this report are Inditex/Zara, H&M, C&A, Esprit, s.Oliver, NewYorker, Takko, Ernstings Family, Deichmann, Reno, Tom Tailor/BONITA, Abercrombie&Fitch). Takko has established an efficient vertically integrated retail operation, which enables an appropriate level of product quality and control as well as cost-efficient lead times and increasing effectiveness in responding to changing consumer preferences.

Ongoing Consolidation among Retailers

We believe that the apparel markets in Italy, Austria and Eastern Europe have a high consolidation potential due to their low level of concentration. In 2008, the top five apparel retailers together had a market share of 15.9% in Italy, of 14.9% in Austria and, on average, of 17.0% in the following Eastern European countries: Hungary, the Czech Republic, Slovakia, Poland and Romania. In comparison to that, the average of the top five apparel retailers in the Western and Central European markets (including Austria and Italy) in which we operated was 24.9% (Source: OC&C Report). This development is driven by the fact that large and especially global apparel retailers have expanded internationally by establishing a presence in neighboring countries and higher-growth regions. The ability to successfully roll out a retail format in multiple markets with only limited—if any—modification to the initial model generates significant economies of scale (such as same store layout, sourcing organization, marketing organization etc.) as illustrated by the high profitability of global apparel players. In our view, the consolidation trend is expected to continue in the foreseeable future, providing strong market players with an attractive opportunity to increase their market share.

Increased Use of E-Commerce

We believe that the importance of business carried out on the internet (e-commerce) is continuously growing in the value fashion market segment. An increasing number of consumers appreciate the advantages of shopping online: it is less time consuming and allows avoiding the hassle of going from one shop to another at times when shops are overcrowded (for instance, on weekends). In addition, online shopping enables to more efficiently take advantage of current promotions without dedicating substantial time to research. While some value fashion retailers have been reluctant to introduce e-commerce offerings because of the low cost nature of their business model, more and more retailers in this market segment are introducing internet distribution platforms. Some European value fashion retailers such as H&M, C&A or Ernsting's Family have already established online sales platforms and pure online retailers such as Amazon and Zalando are competing in this segment as well. In our view, e-commerce has long-term growth potential and offers the opportunity to widen the customer base. The internet also offers opportunities in marketing, such as e-mail advertising, blogs, internet TV and discussion forums, generating room for completely new business ideas and niche concepts.

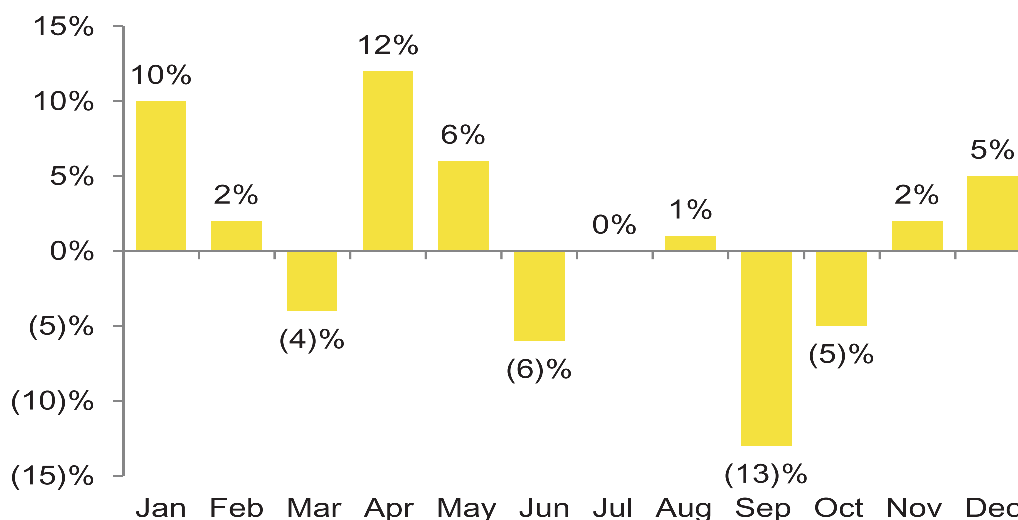
Online retail has proven to be one of the fastest growing distribution channels for apparel retail in developed Europe and players with existing e-commerce platforms are expected to continue to benefit from ongoing shift to online (Source: Euromonitor).

Takko has made e-commerce one of its key strategic initiatives and is currently working towards launching an e-commerce platform in Germany.

Input Cost Pressure and Market Volatility

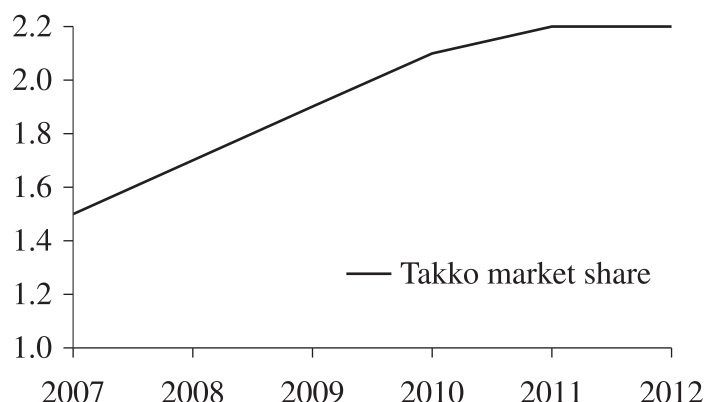
Input cost volatility as well as wage increases in key manufacturing countries (China, India, Bangladesh, others) have been the most significant drivers of pressure on profitability over the past two years. Cotton—the most input raw material in our apparel fabric—saw a significant increase in trading prices in 2011, which subsequently have abated, but caused supplier prices to increase for an extended period of time. In addition, labor costs in Asia where Takko sources the vast majority of its product have continuously increased. Given the value fashion segment is volume-driven, retailers tend to absorb a part of the raw material increases in an effort to maximize unit sales.

The development of overall sales in the markets in which we operate has also been a key driver of profitability in the past two years. In 2011 for example, input cost pressure, combined with a weak market, put significant pressure on margins in the German fashion retail industry. The following table presents the monthly German fashion retail sales growth (year-on-year) in 2011 (Source: Textilwirtschaft):



Competition

We operate in the value fashion segment of the European apparel retail market. We had a market share of 2.2% of the German apparel retail market according to sales volume (measured by revenue) in the calendar year 2012, having increased our market share by 47% in comparison to the calendar year 2007 (Source: Euromonitor 2012).



In the value fashion market segment, we compete predominantly with other large modern value fashion retail chains. In addition, in the developing Eastern European markets we compete with a varying number of retail formats, in particular very low price street markets and other local and independent retailers. While Western and Central European value fashion markets are highly competitive (particularly in Germany), Eastern European markets have historically been less competitive, although competitive tension has been intensifying recently. Value fashion chains compete for customers as well as for low-cost sourcing opportunities. Large chains in particular have high brand awareness, a strong market presence, a large customer base and financial strength. Companies like Takko can put substantial financial resources in marketing their products and can adopt an attractive pricing policy. In addition, our competitors also include catalog and online retailers, department store chains as well as supermarkets and food discounters selling value fashion products or textiles in general for women, men and children.

We consider our main direct competitors in our core markets to be C&A (which also has a significant international presence in Western and Central as well as Eastern Europe), H&M, Ernsting's Family and New Yorker, all of which are based in Germany. These retailers sell a range of products that are comparable to our collections with a similar price structure. While Ernsting's Family also targets out-of-town locations for their stores (similar to Takko), C&A, H&M and New Yorker tend to operate on the high street, which makes them less of a direct competitor.

In our view, the German value fashion market is characterized by relatively high market entry barriers due to the necessity of considerable economies of scale to compete with the large value fashion retail chains on price, product quality and lead times. However, large discount players like KiK or NKD or on the other side low-mainstream market players like H&M may focus on the value fashion segment due to their existing economies of scale. In addition, international value fashion retailers currently operating in other geographic markets may enter regions in which we are present. For example, in 2009 the Irish value fashion retailer Primark entered the German market. Primark today has ten stores in Germany and is continuing to expand thus giving new price signals to the entire market, which could further lead to increasing price competition. However, while Primark has a similar target customer to Takko, the store locations are selected in expensive city-center locations, which limits the level of direct competition with Takko who has mainly out-of-town locations in its store portfolio.

BUSINESS

Overview

We are a leading European apparel retail group focused on the attractive value fashion segment, with more than 1,750 stores across 16 countries in Western, Central and Eastern Europe. We offer a wide range of private label apparel and accessories for women, men, and children, primarily targeting price-conscious, yet fashion-oriented families, with a focus on delivering high value for money with limited fashion risk. Our home market is Germany, where approximately 60% of our stores are located, and we also have a presence in 15 other European markets, including Austria, the Netherlands, the Czech Republic, Hungary, Romania, Poland and Slovakia. In addition, we have recently established a joint venture with a view towards entering the Russian market. Our geographic footprint gives us a basis in the attractive German market and the opportunity to benefit from the continued economic development of countries in Eastern Europe.

Since 2009, we have repositioned the Takko brand from a discount format towards a value fashion format with a refreshed and distinct brand appearance. To support this change, we have developed a strong focus on fashion-oriented, price-conscious customers and we have refurbished nearly all of our stores. At the same time, we continue to pursue a brand strategy to clearly distinguish our brands from trend-driven and young consumer-oriented apparel retailers which offer their products at relatively higher prices with a higher degree of fashion risk. We are a fashion follower trying to take relatively limited fashion risk in our collections. We believe that the "Takko" brand proposition is now well-established with our customer base, as can be seen from our market share in the German apparel retail market which grew from 1.5% in 2007 to 2.2% in 2012. To complement our strategy, we have also launched an additional store format called "1982," which is focused on selling fashion basics in more urban locations. The "1982" stores are intended to offer a different store experience than the traditional Takko format due to the different product offerings and location of the stores.

We have a vertically integrated and scalable business model, with in-house design and sourcing capabilities, standardized store formats and long established ties to our key suppliers. We believe this approach allows us to capture a higher profit share as we do not share our margin with wholesalers and other intermediaries. Moreover, due to our lean and scalable business model, we are able to maintain and expand our store footprint with limited capital expenditure and working capital requirements, showing short payback times and a positive store contribution within a few months of a store opening. Our stores are located mainly in attractive out-of-city locations such as retail parks. This keeps our operating costs low and allows us to offer a convenient shopping experience to our target customers.

After having significantly grown our market share in the German apparel retail market in the period from 2007 to 2010 from 1.5% to 2.1%, our performance was stable in difficult market conditions, resulting in a further increase of our market share to 2.2% in 2011 and 2012. The past two years in particular were characterized by market-wide challenges posed by an increase in the cost of raw materials and wage inflation impacting our cost of materials as well as unfavorable consumer sentiment in many markets in which we operate. Our brand repositioning and our continued focus on cost efficiency have helped to partially mitigate the effects of these uncertain economic times. In fiscal year 2012, our net revenue grew by 10.8% from *pro forma* €938.5 million for the twelve month period ended April 30, 2011 to historical €1,040.4 million for fiscal year 2012, after an 18.8% growth from historical €789.9 million for the fiscal year 2010 to *pro forma* €938.5 million for the twelve month period ended April 30, 2011. In the twelve month period ended January 31, 2013, we realized 3.4% net revenue growth as compared to the twelve month period ended January 31, 2012. We generated net revenue of €1,051.5 million and Adjusted EBITDA of €128.2 million, with an Adjusted EBITDA Margin of 12.2% in the twelve month period ended January 31, 2013. We built on our track record of successful international expansion with our entry into several new markets, most recently into Italy and Serbia. We also established a joint venture with a view towards entering the Russian market during the course of 2013.

Our Strengths

We believe that we have developed a strong competitive position as illustrated by the following key strengths:

Focus on the Attractive Value Fashion Segment in Growing European Markets

We operate in the value fashion market segment, a growing sub sector of the apparel retail market situated between the low mainstream and the discount fashion segments. In Germany, for example, the market share of value fashion market participants grew from 29.1% in 2007 to 35.1% in 2012 according to a 2012 report by Euromonitor. We believe that this structural trend has been driven by a change in consumer perception of value fashion.

In Germany, we have increased our market share in the overall apparel retail market from 1.5% in 2007 to 2.2% in 2012. At the same time, the German apparel market has shown resilience, showing overall positive growth over the last several years, which include recession and post-recession periods. According to the Mintel 2012 report, between 2007 and 2012 the German apparel market grew at a CAGR of 0.5%.

According to the Mintel 2012 report, total apparel sales in three major Eastern European countries where Takko is present have grown at a CAGR of 3.3% from 2007 to 2012. We believe that these geographies represent very attractive growth opportunities and as of January 31, 2013, we operated 234 stores in these three countries (Czech Republic, Hungary and Poland) and 414 stores in Eastern Europe overall and plan to continue our expansion in the region.

Compelling Brand Proposition

We offer a broad range of quality casual clothing and accessories in the value fashion segment for women, men and children with a focus on young price-conscious, yet fashion-oriented families. Our focus on established fashion trends, instead of being a fashion leader, distinguishes us from other fashion retailers and substantially reduces our exposure to fashion risk. Within our customer base, we believe we enjoy high brand awareness and strong customer recognition and are well known for successfully combining fashionable products, affordable prices and an attractive shopping environment.

Vertically Integrated Supply Chain and Strict Focus on Costs

We believe that control of the supply chain is a key success factor for an international, large scale retailer like Takko. With the exception of the production process itself, which is overseen by our own offices in all major supplier countries, we control all key critical stages of our supply chain. We design approximately 80% to 90% of our apparel collections in-house, procure our merchandise mainly by direct sourcing or vertical partnerships through our own sourcing offices located in China, India, Bangladesh and Sri Lanka and distribute merchandise through our directly operated stores. We have highly capable and experienced design and sourcing teams dedicated to ensuring the smooth operation of our supply chain. We believe that this vertically integrated structure, along with a continued focus on cost efficiency, allows us to capture a higher profit share as we do not share our margin with wholesalers and other intermediaries.

Extensive, Well Invested, and Geographically Diverse Store Portfolio

We currently operate more than 1,750 stores across 16 countries in Western and Central Europe, as well as Eastern Europe, with a total of more than 800,000 square meters of selling space. The majority of our stores are not located in city centers or on high streets, but in out-of-town commercial areas, including retail parks, hypermarkets and commercial zones. Our store locations provide customers with a convenient shopping experience which generally leads to attractive conversion rates (i.e. the percentage of store visitors who make a purchase). In Germany, a visit to one of our stores is typically combined with grocery shopping or shopping at other retailers located in the vicinity of our store. Our out-of-town locations also provide us with good options and flexibility in selecting new lease locations compared to our high-street competitors. Additionally, because the majority of our stores are located on the periphery of cities in retail parks, rents are significantly lower than in high street retail locations.

In 2009 and 2010, we implemented a comprehensive store refurbishment and rebranding program involving more than 1,000 Takko stores, which supported the Takko positioning as a value fashion player and included a makeover of our corporate identity. The store portfolio is now well invested with moderate maintenance requirements. We continue to further invest in our store portfolio and continuously monitor our store portfolio to determine whether additional investments are required or whether certain underperforming stores should be permanently closed.

We currently lease all of our stores. Our lease terms are generally for a duration of ten years in Germany and five years in other markets. We also generally have the ability to extend our leases for at least five further years after the initial term. As of January 31, 2013, our average remaining lease term was approximately 53 months (excluding extension options), and we believe that we do not have any significant landlord concentrations. We regularly review our lease contracts and renegotiate more favorable terms where possible. For example, during the nine month period ended January 31, 2013, we renegotiated 178 leases, generating annualized savings of approximately €1.2 million. We believe our large store footprint significantly reduces the risk of a sudden, unfavorable shift in our overall lease terms.

Successful Expansion in Existing and New Geographies

Our business model is highly scalable, which facilitates growth by allowing us to expand our operations in a cost efficient manner in both existing and new geographies. The key characteristics of this scalability are the limited capital expenditure requirements for new store openings, a generally short payback period until the stores recover the initial cash investment (typically within twelve to eighteen months of a new Takko store opening), standardized processes such as centrally defined modules for all stores and standard procedures for store openings and market entries.

The scalability of our business model has allowed us to successfully enter six new European markets since fiscal year 2009 and, between May 1, 2009 and January 31, 2013, to open 612 stores on a gross basis. Our products are now sold in approximately 700 stores outside Germany, spread across 15 European countries. International net revenue accounted for approximately 35.6% of our total net revenue (approximately 19.9% for Eastern Europe and approximately 15.7% for Western and Central Europe) in the twelve month period ended January 31, 2013.

Strong Track Record of Growth and Cash Management

In the recent past, we have demonstrated our ability to achieve growth both in a growing economic environment and during an economic downturn and adverse consumer sentiment. In fiscal year 2010, the twelve-month period ended April 30, 2011 and fiscal year 2012 we achieved Like-for-Like Net Revenue Growth of 6.4% (dynamic), 9.8% (static) and 2.3% (static), respectively, as compared to each prior year comparative period. Despite a decrease in static Like-for-Like Net Revenue Growth in the twelve month period ended January 31, 2013 of 3.8% (as compared to the twelve month period ended January 31, 2012), we have managed to increase profitability due to a recovery of our Adjusted Gross Margin as well as our focus on cost discipline. In the nine month period ended January 31, 2013 our Adjusted Gross Margin recovered by 120 basis points from 55.7% to 56.9% and our Adjusted EBITDA Margin from 11.4% to 12.2% as compared to the nine month period ended January 31, 2012. Between May 1, 2009 and January 31, 2013 we opened a total of 612 new stores on a gross basis (475 on a net basis) and our net revenue increased by 11% per year on average. The average Static Like-for-Like Net Revenue Growth between the nine month period ended January 31, 2010 and the nine month period ended January 31, 2013 was 2.9% per year.

We benefit from limited capital expenditure requirements and favorable payment conditions with suppliers typically due to long-term supplier relationships in Asia. We have reduced the amount of cash drawings under our revolving credit facility by €35.0 million from €40.0 million as of January 31, 2012 to €5.0 million as of January 31, 2013. We have also significantly reduced the utilization of letters of credit in our supply chain from €167.4 million as of January 31, 2012 to €117.0 million as of January 31, 2013 through a more targeted use of letters of credit.

Experienced and Capable Management Team with Strong Shareholder Backing

We have a strong and incentivized management team with significant retail experience and a proven track record. The senior management team comprises Chief Executive Officer Stephan Swinka, Chief Financial Officer Hannes Rumer, Chief Sales Officer Andreas Kromer and Chief Procurement Officer Alexander Mattschull who combine significant experience in the retail and consumer industry. Furthermore, we have recently added Chief Merchandise Officer Hardy Schulz to our senior management team, who brings extensive product management knowledge to our team. Over the last five years, management has implemented an extensive store refurbishment and re-launch program, transforming us from a discount format towards a value fashion retail company. During this period, management has also successfully executed our expansion strategy despite the economic downturn in 2009 and unfavorable market conditions for European fashion retailers in 2011 and 2012, with a continuation of our domestic and international expansion and the launch of the innovative "1982" format following successful tests in 2009.

Since the Acquisition of our Group by funds advised by Apax in February 2011, we have benefited from the financial backing, investment experience and knowledge of one of the world's leading private equity investment groups. Apax has deep retail and consumer expertise and a successful track record of investing in the retail sector. During their history, funds advised by Apax have invested in many retail and consumer businesses globally, including fashion companies such as Tommy Hilfiger, Phillips-Van Heusen/Calvin Klein, rue21, New Look, CBR (Street One, Cecil, OneTouch), Tommy Bahama and The Children's Place, as well as specialty retailers like Somerfield, Sunglass Hut, Plantasjen and Nordsee.

Our Strategy

Our business strategy is based on three pillars: (i) strengthen our market position, (ii) further expansion to enhance geographical diversification and market penetration and (iii) innovation and business model extension. We will also continue to focus on operational efficiency, cost control and cash flow generation.

Strengthen Market Position

We intend to continue to increase our market position in the markets in which we operate. To achieve this goal, we have taken various measures as part of a comprehensive store portfolio strategy, including the overall store refurbishment program in 2009 and 2010, and the repositioning of the Takko brand from a discount format towards a value fashion format. We continue to build on these measures with improvements of our retail space (such as improving back-wall visual merchandizing and the continuous introduction of better product carriers) and the continuous review of stores with weaker financial performance resulting in case-by-case decisions on whether to close, sub-lease or relocate the store or renegotiate the lease agreement for improved terms.

We have also implemented, or are in the process of implementing, a range of other strategic initiatives. These initiatives are aimed at further developing our product assortment in line with consumer preferences, strengthening our position as a value fashion retailer in the low price segment (for example by defining a price architecture with signal price items), redefining our marketing strategy to reflect the transformation of Takko from a discount retailer towards a value fashion brand (including the use of online marketing measures and social media), optimizing store logistics to avoid out-of-stock items and improving inventory allocation to stores. We have also initiated IT enhancements and improvements of merchandise management as well as various sales management projects designed to increase space productivity and sales density.

Expansion and Further Geographical Diversification

We have successfully expanded our store network by opening, on average, approximately 130 new stores on a net basis per year over the last three fiscal years. In the medium term, we plan to continue expanding our store footprint with a focus on Western and Central Europe as well as Eastern Europe. According to an OC&C Report commissioned in 2010, our markets have a total long-term store potential of 3,800 stores (as compared to the 1,787 stores that we operated as of January 31, 2013). As part of our continued expansion in Eastern Europe, we entered the Serbian market in May 2011 and we have recently established a joint venture with a view towards entering the Russian market during the course of 2013. Under the terms of the joint venture agreement, we will contribute approximately 5% of the required cash investments and own 33% of the equity interests in the joint venture. We will carefully evaluate additional expansion opportunities as they arise over the coming years.

Business Model Extension and Innovation

We believe that there are a number of additional opportunities to expand the business in existing markets and enter new markets.

Retail format strategy—"1982": The "1982" product offering is focused on more basic fashion items and lower perceived prices compared to the classic Takko format. Stores are larger and located in high footfall locations, such as shopping centers or city centers in cities with more than 100,000 inhabitants. The format is complementary to the classic Takko format and provides us with access to a broader, younger and price-conscious target group in urban areas that is not explicitly targeted with the classic Takko offering.

As of January 31, 2013, we had 25 "1982" stores in Germany and in the Netherlands. Based on the success of these stores, we may decide to accelerate the roll-out of "1982" stores and see an estimated potential for approximately 80 "1982" stores in Germany and a further 100 stores in other European countries.

E-commerce: To date, we have invested in direct marketing and communication through our website, but have not yet implemented an e-commerce platform. We believe that selling our products online represents an opportunity for further growth potential by giving us the ability to significantly expand our customer base and benefit from cross-channel marketing and sales. Launching an e-commerce platform is one of our key priorities, and we are currently working on launching an e-commerce platform starting in Germany.

In-sourcing of fashion jewelry: Until the current fiscal year, a certain proportion of the sales of fashion jewelry in our stores were made by our "bee line" business partners, generating sales commission for us. We have terminated the agreement with this partner, and are in the process of in-sourcing the sale of all fashion jewelry in the future. We believe that this will allow us to further increase our margin in this product category.

Demand-Driven Supply: We are currently performing a comprehensive review of our supply chain policies with a view towards establishing more demand-driven policies and improving the inventory allocation across our stores.

Continued Focus on Operational Efficiency, Cost Savings and Cash Flow Generation

Although the unfavorable market conditions for European fashion retailers have also had an impact on our operating margins, which dropped significantly from the twelve month period ended April 30, 2011 to fiscal year 2012, we continued to generate cash. Furthermore, we have stabilized our Adjusted EBITDA Margin at 12.2% for the twelve month period ended January 31, 2013. Our strong capabilities in cost control implemented by a well-established project management approach have helped us to decrease store costs over the same period.

Our strong focus on cash flow generation has also led to the decision to aggressively clear out excessive inventory left from the fall winter season 2011. As a result of the currently lower consumer sentiment in most of our markets, we will continue to manage our inventory cautiously.

We are committed to maintaining our focus on customer orientation, operational efficiencies and cost savings while ensuring high standards across our business. We also continually review our supply chain (in particular, supplier locations, performance and contractual arrangements) to ensure that we benefit from competitive terms and a high level of reliability and efficiency in our supply chain. We believe there are opportunities to further increase our attractiveness for customers, improve operational efficiency and cost structure and achieve further procurement benefits within our business, and we intend to continue to identify and implement such initiatives.

History

Our origins date back to 1982. This was the year of the establishment of a discount retailer under the name "Modea" in Telgte, Germany, operating stores under the brands "Ingrid S." and "Multi Mode Märkte." In 1999, the holding company of the group was renamed "Takko ModeMarkt." In 2000, we operated approximately 500 stores and opened our first stores outside Germany in Austria. We expanded our operations to the Netherlands and the Czech Republic in 2003, Hungary in 2004 and Slovakia in 2006. Furthermore, we entered into cooperation agreements with local partners in Slovenia in 2003 as well as Estonia and Lithuania in 2005. In 2005/2006, we initiated a restructuring and repositioning program which included the introduction of visual merchandizing as a new market strategy and the transformation into a vertically integrated retail company by implementing a direct sourcing organization and designing approximately 80% to 90% of our collection in-house. We accelerated our expansion policy, entering the market in Poland, Switzerland and Belgium in 2007, Romania in 2008, Italy in 2010 and Serbia in 2011. Moreover, we entered into cooperation agreements with local partners in Portugal and Croatia in 2008. We took over the stores operated by cooperation partners in Estonia, Lithuania, Slovenia and Croatia in 2009 and recently discontinued the partnership with our cooperation partner in Portugal. In 2012 we established a joint-venture with certain co-investors, including the founder of the Russian supermarket chain Kopeka, with a view towards entering the Russian market during the course of 2013.

Following our Acquisition by funds advised by Apax from Advent Vision S.à r.l. in February 2011, a group structure headed by Salsa Retail Holding DebtCo1 S.à r.l. was implemented. This group structure reflects only the new shareholder and financing situation; no major changes of the operational business have occurred.

Products and Target Customers

Classic Takko

Classic Takko stores market value fashion for women, men and children under different labels, offering a collection of approximately 5,500 items per year at low price points. Our target customer group consists of low to middle-income, fashion oriented consumers. This group is between 20 and 49 years old and consists mostly of young families. Addressing their needs, we aim to offer an attractive and accessible shopping opportunity at our out-of-city, retail park store locations. Our stores are typically situated next to grocery stores, drugstores, DIY stores or other retailers catering to the daily needs of consumers, thus allowing for time-saving destination shopping.

Takko does not consider itself as a fashion leader but rather aims to follow current trends in fashion and to develop corresponding collections thereby reducing fashion risk. Our collections can be divided by style in basic,

modern-basic and fashion items. Basic items are simple apparel without any fashion aspects and come in classic colors. These items stay effectively the same over several seasons. Modern-basic items have a small amount of fashionable attributes and come in current, seasonal colors. Fashion items adapt current trends in fashion and change significantly from season to season.

We market four different product lines: Women, Men, Children and Accessories (including lingerie and hosiery).

Women

Value fashion for women generated nearly half of our net revenue in fiscal year 2012 and is, therefore, the most important product line. In this line, we market casual wear, of which jeans, knitwear and T-shirts are the main sales drivers. Women's apparel is designed and developed according to four style groups addressing a distinct style and customer profile: "Casual"—sportive, casual apparel for every day with less fashion attributes (label: "Colours of the World"), "Feminine"—more formal, feminine styles (label: "Flame"), "Young Trend"—incorporating fashion trends for teenagers (label: "Crazy World") and plus sizes (label: "Maxi Blue"). All products within a style group follow clear color schemes and themes with the aim of encouraging customers to buy matching styles (so called "looks"), including accessories, during one store visit. We are planning to supplement, and potentially replace, this differentiation in style groups with a concept of "wearing occasions," thus becoming more differentiated and relevant for our consumer over time.

Men

Our men's product line contributed almost one fifth of our net revenue in fiscal year 2012. This category mainly consists of casual wear, of which the best-selling items are jeans, jackets, shirts, knitwear and T-shirts. Two style groups are distinguished according to the respective customer target group. "Thomas" represents casual wear (label: "Southern Menswear") and "Dennis" corresponds to trend-oriented fashion wear (label: "Chapter"). We are also planning to introduce the "wearing occasions" concept for men's product lines in the future.

Children

We offer apparel products for children of all ages, from newborns to young teenagers. This product line generated a bit more than one fifth of our net revenue in fiscal year 2012. Takko's strongest products in this category are jeans, jackets and T-shirts. The category is divided into six groups according to age and gender: new born (label: "Dopodopo New Born"), babies (label "Dopodopo Mini"), boys aged 2 to 8 (label: "Dopodopo Boys"), girls aged 2 to 8 (label: "Dopodopo Girls"), boys aged 8 to 14 (label: "Dognose") and girls aged 8 to 14 (label: "Crash One").

Accessories/Lingerie/Socks

The fourth product line consists of accessories like fashion jewelry, bags, belts, scarves, hats as well as lingerie and socks. This product line had a share of approximately 10% of our net revenue in fiscal year 2012.

Until the current fiscal year a significant proportion of the sales of fashion jewelry in our stores were made by our "bee line" business partners, generating sales commission for us. We have terminated the agreement with this partner, and are in the process of in-sourcing the sale of all fashion jewelry in the future. We believe that this will allow us to further increase our margin in this product category.

"1982"

The "1982" store format targets a different customer group than the classic Takko stores. "1982" target consumers are young, urban and price-conscious consumers. Therefore, "1982" stores are typically located in high footfall locations, such as shopping centers or city centers, whereas classic Takko stores are situated in commercial areas in out-of-city locations. The 1982 product offering is focused on high volume casual basics, with a narrower product range and highly attractive price points.

Development of Collections

We develop 80% to 90% of our new collections in-house pursuing a consumer-centric approach based on intelligence about global fashion and consumer trends. To this end, we maintain a product management and

design department with more than one hundred employees. Our product management is organized along the different product lines and style groups and is responsible for the planning of between six and twelve new collections for each customer target group per year. At the very outset of the development process, the product management uses different means of trend-scouting such as trend agencies, trade fairs and store checks to ensure that the collections are in line with current mainstream fashion trends. Subsequently, product management and in-house designers create the new collection. Based on the specific design, the product managers perform a product calculation which is coordinated with the purchasing department. As a final step, the purchasing department assesses the production feasibility of the collection and negotiates purchase prices with the suppliers.

Sourcing

We do not operate or own any production facilities, but prefer to source our products from third-party suppliers. Until 2005, we sourced goods mainly from trade partners (i.e. intermediaries and wholesalers). With the introduction of a new purchasing concept in 2005, we started sourcing by way of direct imports and vertical partnerships with the objective of achieving higher gross margins, reducing the dependence on wholesalers and controlling a larger portion of the value chain. In order to maintain flexibility, we have not entered into any binding framework agreements regarding our sourcing. Instead, our sourcing is based on an order-by-order concept. Suppliers are changed from time to time as deemed necessary or appropriate, in particular with regard to quality and prices. However, we have established close and long standing relationships with key suppliers. Our sourcing contracts incorporate a supplier code of conduct covering in particular working conditions and compliance with environmental and other applicable laws.

All our merchandise is centrally sourced and distributed. Our purchasing organization is headquartered in Friedrichsdorf, Germany, and staffed with approximately 80 employees. In addition, we have six purchase offices, including three in China and one in each of India, Bangladesh and Sri Lanka, with a total of approximately 120 employees.

Direct Imports

The majority of our products are directly sourced, without intermediaries, from different manufacturers located mainly in Asia, particularly China, India, Bangladesh and Sri Lanka. Collections are sometimes also produced in Cambodia, Egypt, Indonesia, Laos, Mongolia, Pakistan, Thailand and Turkey. In fiscal year 2012, we sourced our products from approximately 190 manufacturers, of which our ten largest suppliers together accounted for approximately 43% of our total purchase volume, with no single manufacturer accounting for more than 13%. Our order placement process is designed to enable competitive purchase prices. The sourcing department in Friedrichsdorf, Germany and the purchase offices in Asia invite several potential manufacturers in a tender process to provide offers for the demanded product. Typically on the basis of a minimum of three offers, the sourcing department in Friedrichsdorf chooses the most favorable offer and places our order, typically up to twelve months prior to the initial sale date. The responsible regional purchase office coordinates and monitors the production process. We believe that our sourcing strategy includes a well-balanced country and supplier combination in order to ensure competitive prices and adequate risk management.

We have developed a code of conduct for our suppliers and contractually commit our suppliers to comply with it. According to this code, suppliers agree, among other things, not to use child—or forced labor, not to apply punishments or other forms of harassment, not to discriminate for personal, religious or political reasons, to comply with applicable health and safety regulations, environmental and other applicable laws and with certain minimum standards regarding working time and wages.

Vertical Partners

To a small extent, we source our products from vertical partners mainly located in Europe, who import their products or manufacture them locally. In the case of vertical partners, we buy final products and do not go through the design process ourselves. In contrast to wholesalers, vertical partners do allow us to influence the product design and quality, negotiate the volume levels and obtain a transparent product-calculation. We benefit from the cooperation with vertical partners, with whom we can place orders on a short-term basis which enables us to react to supply bottlenecks and short-term shifts in market demands. Furthermore, vertical partners possess special know-how with respect to the design and manufacturing of certain products, particularly denim products. In addition, vertical partners enable us to test new product categories by ordering small volumes of sample collections, as well as providing industry visibility.

Quality Control

Quality controls are conducted internally and externally. Our suppliers are obligated to perform quality checks on a regular basis which are then verified by our local purchasing offices. The quality control department in Telgte, Germany, frequently conducts physical quality checks as well. In addition, independent institutes perform sample inspections to identify possibly toxic substances in products.

Logistics

Goods sourced through direct imports are usually shipped by sea from Asia to Winsen, Germany within approximately six weeks. The central logistics facility in Winsen (Luhe) near Hamburg, Germany, was opened in June 2011. The storage facility serves as a central receiving, logistics and storage facility as well as a distribution center. Using a central logistics facility before the goods are allocated to individual stores via distributions centers has proven to allow broader flexibility with regards to the merchandise allocation.

Merchandise is pre-packed by the suppliers in the respective Asian harbor into the required lot size. We currently operate four distribution centers, each of which serves between 300 and 600 stores, and which are located in Telgte, Germany, Winsen, Germany, Schnelldorf, Germany and Senec, Slovakia. Upon arrival in Winsen, goods are received, registered and dispatched to one of our four distribution centers. The transportation from Winsen to the distribution centers is mainly outsourced to third-party logistics companies. In addition, we operate a small fleet of six owned and 16 leased trucks. At the distribution centers, the merchandise is allocated to transportation boxes for each individual store. The allocation is determined by the merchandizing management department and is managed to achieve fast deliveries and minimize the level of inventory in our logistic system.

Merchandise Planning and Allocation

Our merchandise allocation is tailored to match our operational needs. We seek to adjust stock levels to actual sales and to continue to improve our flexibility by developing a “push and pull system.” Additionally, we use a module-based allocation system to adapt to varying regional in-store situations and demands.

Never-out-of-Stock

Never-out-of-stock (NOS) items are managed automatically. Refill-deliveries for NOS items for individual stores are made in accordance with a “pull” system. The “pull” system will allow the purchasing department to place new orders and allocate products to stores automatically when the available NOS product levels drop below a certain threshold. Similarly, distribution centers will automatically deliver NOS items to the stores if the minimum stock volume is no longer available in the respective store. We are considering expanding the reach of our “pull” system in the future.

In-Shop-Week Concept

We established an in-shop-week concept in 2010. We seek to ensure that all orders that are part of a pre-defined collection are delivered to the stores within the same week. Correspondingly, all items that are promoted in a brochure have to be available at the store when the brochure is distributed. In order to mitigate potential timing uncertainty in shipment from Asia, buffer storage is used to smoothen early deliveries.

IT Systems

Merchandise planning is based on SAP ERP 6.0 software which is used in conjunction with Microsoft SQL data warehouse and Robitex merchandise allocation and control systems. In addition to the SAP ERP 6.0 software, we have started to implement SAP-Retail software which will replace the Robitex merchandise allocation and control systems.

Store Portfolio

As of January 31, 2013, we operated 1,787 stores in 16 European countries (six Western and Central European countries and ten Eastern European countries).

The following table provides an overview of Takko stores in each country as of January 31, 2013:

	As of January 31, 2013	*As of January 31, 2012*	*As of April 30, 2012*	*As of April 30, 2011*	*As of April 30, 2010*
Germany*	1,073	1,036	1,054	1,014	969
Austria	123	115	119	115	115
Switzerland	21	16	18	10	6
The Netherlands*	102	84	95	73	59
Belgium	15	10	11	8	4
Italy	39	27	28	11	0
Czech Republic	111	98	101	93	85
Hungary	58	62	61	57	53
Slovakia	50	41	42	39	27
Romania	62	54	56	47	35
Poland	65	57	59	45	28
Slovenia	18	16	17	15	12
Lithuania	13	11	13	11	8
Estonia	8	6	6	5	4
Croatia	23	19	20	16	7
Serbia	6	3	3	0	0
Total	**1,787**	**1,655**	**1,703**	**1,559**	**1,412**

* Including "1982" stores.

About 70% of all our stores are located in commercial areas, such as retail parks, hypermarkets or commercial zones. While pedestrian footfall in these areas is generally lower compared to high street locations, consumer conversion tends to be higher. Consumers in these areas make store visits in order to specifically shop at Takko (destination shopping), as opposed to random or spontaneous store visits in the city center. A visit to a Takko store can be combined with grocery shopping or shopping at other retailers which are typically in the vicinity of a Takko store. The availability of parking spaces and proximity to major roads attract consumers from a large catchment area and are especially attractive for families. Approximately 30% of the Takko stores are located in city centers, situated in the pedestrian zones of larger cities, or in shopping centers which have a higher footfall, typically located in cities with a population exceeding 100,000 inhabitants. Store installation and occupancy costs are higher compared to other locations and competition is typically more intense.

In our experience, the highest productivity is generated in stores with a size up to 500 square meters. We consider 450 up to 550 square meters optimal for classic Takko stores, as this size is able to accommodate our full apparel assortment. The average age of our stores is five years in city locations and eight years in commercial areas. We review our store portfolio on an ongoing basis.

"1982" stores are located in high street locations as well as in shopping centers which leads to a higher traffic of customers and a higher sales density compared to classic Takko stores. The average "1982" store is approximately 800 square meters in size and hence significantly larger than the average classic Takko store format. Initial expenditure requirements are higher compared to a classic Takko store given the larger store size and special requirements for shop furnishing (such as window fittings). As of January 31, 2013, we operated a total of 25 "1982" stores in Germany and the Netherlands.

Marketing and Brand Strategy

Since 2009, we have undergone a comprehensive business model and brand repositioning process transforming us from a discount format towards a value fashion brand focusing on price/value perception and apparel offering for the entire family. The brand repositioning process was supported by a number of initiatives, including changes in the product portfolio and design, store appearance and the visual appearance of the brand. For the purpose of brand awareness, central branding devices for different points of consumer contact were defined, including the yellow color and the "Yellow Arch" which is a recurring design element found in store entrances and check-out areas, brochures and product catalogues. Traditionally, our marketing activities are focused on brochures, point of sale marketing and direct mailing. We have also recently ran a radio advertising campaign. In fiscal year 2010, we ran a successful TV campaign and we may decide to use TV advertisement again in the future.

We have built a customer database which has grown from 0.5 million customers in April 2007 to 7.5 million customers in April 2012. This database enables us to use targeted marketing and advertising. While the classic brochure format has a very broad reach, the response rates are substantially better if marketing initiatives are targeted at specific customer groups. We therefore introduced targeted mailings, including birthday mailings, which we estimate to have an average 3.7% response rate, as well as promotional campaigns which achieve on average a 20.0% response rate according to our estimation.

In addition to the classic "Takko" brand, we introduced a store concept under the brand "1982" in 2009, offering a large selection of basic apparel at lower price points than the classic Takko products. The "1982" brand targets young, urban and price-conscious consumers. Since the target customers are typically users of electronic media, rather than classical print formats, modern marketing channels such as online advertising and social networking platforms are used to enhance brand awareness.

Trademark Rights and Other Intellectual Property Rights

We have registered more than one hundred different trademarks and have the right to use three further trademarks ("Jean Pascale"/"JP Fashion"/"JP Jean Pascale") which are registered in the name of a trustee. The trademarks are mainly registered as a word mark, but some are registered as a word and a figurative mark and only a few as a figurative mark. The registrations of the trademarks in general comprise clothing (class 25), fabrics (class 24) and leather goods (class 18) as well as advertising and business services (class 35). As all trademarks were registered separately, the registrations have different terms of duration.

The trademarks are mainly registered in the German Register with the German Patent and Trademark Office (*Deutsches Patent- und Markenamt*), and/or in the Office for Harmonization in the Internal Markets—Trademarks and Designs. Some trademarks are additionally registered internationally with the World Intellectual Property Organization, or with local intellectual property registration offices in the countries in which we operate. The most widely protected trademark is "TAKKO" as a word mark and "Takko Fashion—everybody wants to look good" in several languages as a figurative mark which is protected for different classes in countries worldwide.

We operate a monitoring system to survey if and how third parties use trademarks that are identical or similar to our registered trademarks. We have an alert system to ensure that each registered trademark is used on a regular basis to avoid the submission of third-party applications to delete a trademark due to non-use.

There are four further design patents—for two coat hangers and two stitching variations on the back pockets of jeans—registered in the name of Takko. In addition, we have registered various domain names, specifically country domains ("www.takko-fashion.com/countrycode") and general domains (such as "net" and "com") with the relevant registration body.

Real Estate and Leases

The following table provides an overview of our major real estate holdings and leases:

Site	*Size*	*Ownership/ Lease*	*Primary Use*
Telgte, Germany	Several parcels with a total surface of 51,278 square meters	Ownership/Lease	Group's headquarter, distribution center (Offices/Storage Space)
Winsen (Luhe), Germany	49,900 square meters—of which 20,000 square meters are covered area	Lease	Central storage, distribution center (Offices/Storage Space)
Oberampfrach (Municipality of Schnelldorf), Germany	26,287 square meters	Ownership	Distribution center (Offices/ Storage Space)
Senec, Slovakia	15,274 square meters	Lease	Distribution center (Offices/ Storage Space) (under construction)
Friedrichsdorf, Germany	Two premises with a total surface of 1,591 square meters	Lease	Sourcing department (Offices/Storage Space)

Real estate owned by us consists of two premises, one in Telgte, Germany, which is used as our headquarters and as a distribution center, and one in Oberampfrach (Municipality of Schnelldorf), Germany, where we operate one of our distribution centers. The property in Telgte, Germany, is encumbered with several

limited personal easements relating to the establishment and maintenance of water, gas and electricity supply pipes, as well as sewer systems. Moreover, both properties are encumbered with an uncertified land charge (*Gesamtbuchgrundschuld*).

We have leased premises for our product management in Telgte, Germany. The lease agreement commenced on October 1, 2007 and has an initial fixed term of 25 years. We have an option to extend the lease for an additional five years.

We hold a hereditary building right (*Erbbaurecht*) with respect to property in Dortmund with an area of 9,448 square meters which expires in 2026. We have two options to extend for ten years each. The premises for which we hold the hereditary building right are let to a third-party.

We have leased premises for our central storage and distribution center in Winsen (Luhe) near Hamburg, Germany. The lease agreement commenced on June 1, 2011 and has an initial fixed term of ten years. We have two options to extend the lease for five years each.

We entered into a lease agreement relating to a premise in Senec, Slovakia, where we operate one of our distribution centers. The lease agreement provides for an initial fixed term until December 31, 2018. We have the option to extend the lease once for a period of five years and have the right to rescind the contract as of December 31, 2013 according to national law.

We have leased two premises for our sourcing department in Friedrichsdorf, Germany, comprising office and storage space. The lease agreement for the larger premises (1,122 square meters) has a fixed term until April 30, 2017 and gives us the option to extend the agreement for another five years up to two times. The lease agreement for the smaller premises (469 square meters) commenced on October 13, 2010, with an initial termination as of December 31, 2012 and was automatically renewed then.

Our stores are operated on leased premises. The initial lease term for premises in Germany generally ranges between eight and 15 years (in most cases the initial lease term is ten years) with different mechanisms for the option to extend the term, whereas most of the contracts for premises outside of Germany provide for initial fixed terms of five years with an option to extend the agreement for another five years. Some lease agreements, primarily in Eastern Europe, contain revenue-related additional lease payments meaning that a portion of the lease payments is usually tied to the level of net revenue generated in the store concerned. We regularly review our rental agreements and renegotiate terms where possible. In fiscal year 2012, we were able to renegotiate more than 150 contracts. If stores fail to meet profitability targets, the locations will be exited or sublet to another retailer.

Employees

As of January 31, 2013, we had 7,854 employees (including managing directors and apprentices, interns and temporary employees, calculated on a full-time equivalent basis), of which 868 were working at headquarter and other management functions, 482 in the logistics department and 6,504 at store level. Distinguished by region, we had 4,591 employees in Germany, 1,059 in Western and Central Europe (excluding Germany) and 2,204 in Eastern Europe. In addition, we met part of our demand for employees by hiring temporary employees (*Zeitarbeitnehmer*), averaging a number of 186 in fiscal year 2012.

The following table shows the changes in our staff size (full time equivalent) as of January 31, 2011, 2012 and 2013, broken down by function and region:

	As of January 31,		
Function	*2013*	*2012*	*2011*
Headquarter and other Management Functions[1]	868	820	797
Logistics Department	482	456	342
Store Level	6,504	6,233	5,496
Group total	**7,854**	**7,509**	**6,635**

	As of January 31,		
Region	*2013*	*2012*	*2011*
Germany[1]	4,591	4,475	4,074
Western and Central Europe (excluding Germany)	1,059	918	732
Eastern Europe	2,204	2,116	1,829
Group total	**7,854**	**7,509**	**6,635**

1 Includes approximately 120 full time employees working in our buying office in Asia.

Since January 31, 2011, the number of our employees has increased by 1,219 to 7,854 as of January 31, 2013, mainly due to 132 store openings in this period.

Only three of our companies are currently members of employers' associations:

- Takko Nederland B.V. is a member of the employers' association "Mitex;" and
- Takko Fashion AT Vermögensverwaltungs GmbH and Takko ModeMarkt GmbH are members of the employers' association "Wirtschaftskammer Österreich."

None of our German companies is a member of an employers' association and none is directly bound by collective agreements (*Tarifverträge*). However, the German Federal Ministry of Labor and Social Affairs (*Bundesministerium für Arbeit und Soziales*) has declared certain collective agreements of the retail industry to be generally binding (*allgemeinverbindlich*) in their respective geographical scope. Currently these are:

- *Baden-Wuerttemberg*: collective agreement on compensation to employees for capital accumulation purposes (*vermögenswirksame Leistungen*), dated October 26, 1983; and
- *Rhineland-Palatinate*: collective agreement on compensation to employees for capital accumulation purposes (*vermögenswirksame Leistungen*), dated June 22, 1993; and collective agreement on continued remuneration (*Entgeltfortzahlung*), dated June 20, 1997.

Furthermore, collective agreements applicable to our foreign companies exist in the Netherlands, Austria, Belgium, Italy, Slovenia and Croatia.

Although we are currently planning on establishing a supervisory board at Takko Fashion Austria GmbH as well as at Takko ModeMarkt GmbH (which will not involve any employee participation), no co-determined supervisory board or works council is established at the level of Takko Holding GmbH, Takko Fashion GmbH (as required under the relevant provisions of the German co-determination law) or any other Group entity so that currently no shop agreements (*Betriebsvereinbarungen*) apply.

Material Legal Disputes and Administrative Proceedings

We have been, and may from time to time be, a party to legal disputes and administrative proceedings within the scope of our business activities. We believe that, other than the proceedings described below, during a period covering the previous twelve months, no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which we are aware) have or have had in the recent past significant effects on our financial position or profitability. Except for the matter set out in the paragraph below, we are not aware of any material circumstances that could lead to state interventions, court or arbitration proceedings.

In December 2011, a former franchise partner commenced an arbitration proceeding against Takko Holding GmbH claiming damages in an amount of approximately €24.0 million (plus interest) for alleged manipulative practices in the implementation of the franchise agreement and the subsequent acquisition of stores operated by the former franchise partner. We believe that these claims are without merit. In November 2012, oral hearings and cross examination of witnesses of both parties took place. The arbitration tribunal announced that it would advise whether further evidence and hearings would be required or whether it had sufficient information to issue an arbitral award. The panel has not yet released its decision but is expected to do so on or before the Issue Date. The share purchase agreement relating to the Acquisition provides for an indemnification clause in respect of this claim, and potential payments under this indemnity may be made to several Group companies or to Salsa Retail Holding MidCo S.à r.l.

Regulatory Environment

We are subject to the applicable laws and regulations of the respective countries in which we operate. Our regulatory environment in the area of textile manufacturing and sale of textiles is characterized by numerous national, supranational and international laws and regulations. These particularly include requirements with respect to import and export of goods, product liability and consumer protection.

Foreign Trade and Customs Law

We source most of our products from China, India, Bangladesh and Sri Lanka. Further products are obtained from Indonesia, Cambodia, Laos, Mongolia, Pakistan, Thailand, Egypt and Turkey. We also purchase a small amount of products (approximately 10 to 20%) from vertical partners based in Europe. All goods we sell are imported by Takko Holding GmbH, Germany.

Within the European internal market the principle of free movement of goods applies. With respect to import and export of goods from countries which are not members of the EU, we must comply with national and European foreign trade and customs regulations. At EU level our relevant regulatory framework is based on the Customs Code (Council Regulation (EEC) No 2913/92) together with the Implementing Provisions (Commission Regulation (EEC) No 2454/93) and the Modernised Customs Code (Regulation (EC) No 450/2008) which within a transitional period will gradually substitute the present Customs Code until June 24, 2013 at the latest. In February 2012, the European Commission adopted a proposal for a recast of the Modernised Customs Code which, *inter alia*, provides for an extension of the transitional period, and the legislative procedure is ongoing. Since January 1, 2008 there have not been any general restrictions on the import of textiles into the EU. In Germany, the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*) and the Ordinance on the Foreign Trade and Payments Act (*Außenwirtschaftsverordnung*) constitute additional regulations which, *inter alia*, set forth rules of procedure. Infringements of customs or foreign trade regulations may be sanctioned with an administrative fine (*Bußgeld*) if categorized as administrative offenses or with a fine (*Geldstrafe*) or custodial sentence (*Freiheitsstrafe*) if categorized as criminal acts. Depending on the extent and nature of the underlying administrative offense, the respective fine may amount up to €25,000 for violation of procedural regulations and up to €500,000 for violations of other regulations of the Foreign Trade and Payments Act.

The customs offices may from time to time undertake external audits (*Außenwirtschaftsprüfung*) to assess whether we have complied with the regulations of the Foreign Trade and Payments Act.

Whereas imports and exports within the EEA are in principle not liable to customs duty, the movement of goods beyond the frontiers of the Economic Area is subject to customs control. The customs control charges, *inter alia*, statutory import duties (*Einfuhrabgaben*). Customs offices may from time to time initiate customs inspections (*Zollprüfung*) to assess whether customs regulations have been infringed. Infringements may result in a fine of up to of €50,000.

The countries belonging to the EEA may charge customs duties if products are exported into such countries. We also distribute our products in Switzerland and Croatia (which do not belong to the EEA). Both countries, however, are parties to a preferential agreement (*Präferenzabkkommen*). The rate of customs duty for goods exported into countries which are parties to the preferential agreement is considerably lower than the regular customs duty rate. The customs administration assesses in a preference inspection (*Präferenzprüfung*) whether the requirements and conditions set forth in the preferential agreement are complied with.

Product Liability and Textile Labeling Law

In Germany, we are subject to strict liability under the Product Liability Act (*Produkthaftungsgesetz*) which is based on European Directive 85/374/EEC. Under this act, we are liable, regardless of fault, for any damage to legally protected interests caused by defective products that we manufacture. The German Food, Consumer Goods and Feed Act (*Lebensmittel-, Bedarfsgegenstände—und Futtermittelgesetzbuch*) and the German Ordinance on Consumer Goods (*Bedarfsgegenständeverordnung*) include special regulations regarding injury to body and health caused by textiles. Pursuant to these regulations, the use of certain chemicals for coloration of textiles, for example, is prohibited. In the event of an infringement of the aforementioned regulations, a criminal proceeding may be initiated or a considerable fine may be imposed on us. Furthermore, textiles may only be made available on the German market if they comply with the German Product Safety Act (*Produktsicherheitsgesetz*) which entered into force on December 1, 2011 and which is, *inter alia*, based on European Directive 2001/95/EC. This act sets out general product safety requirements, information and labeling requirements and risk prevention measures which have to be taken. Infringements of this act may result in administrative fines. A similar regime with respect to product liability also applies in Austria.

We are further subject to the European Regulation 1007/2011/EU which concerns textile names and labeling and which replaced European Directive 2008/121/EC as of May 8, 2012. Pursuant to this regulation, textiles may only be made available on the European market if they are labeled with certain information, in particular with respect to nature and weight proportion of the used raw materials. Depending on the implementing laws of the EU Member States, infringements of the textile labeling requirements may constitute administrative offenses.

Consumer Protection Law

We must further comply with various consumer protection regulations with respect to the marketing and sale of products to the end user. This particularly includes Unfair Commercial Practices Directive 2005/29/EC and in Germany the regulations on unfair competition (*unlauterer Wettbewerb*). This legislation prohibits, *inter*

alia, certain particularly aggressive or misleading commercial practices or advertising to consumers. In the event of infringements of consumer protection regulations, we may be obligated to refrain from the infringing action or be sued for injunctive relief (*Unterlassungsanspruch*). In individual cases, an infringement may trigger liability for damages or criminal prosecution. In addition, we must comply with consumer sales agreements (*Verbrauchsgüterkaufverträge*) and general terms and conditions. Similar regulations are also applicable in Austria.

Data Protection Law

Under the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) as well as, to a certain extent, under the Austrian Data Protection Act (*Datenschutzgesetz*), any processing of personal data must be permitted by law or based on the data subject's consent. Further requirements apply to the use of monitoring publicly accessible areas with optic-electronic devices (video surveillance). Pursuant to the German Federal Data Protection Act, private entities which process personal data are generally required to appoint a data protection officer who supervises compliance with the applicable data protection laws. The Austrian Data Protection Act does not contain a specific obligation to appoint a data protection officer.

As retailers generally process customer data for marketing purposes and employee data for administering the employment relationships, compliance regarding both categories of personal data must be ensured. We use customer data only with customers' written consent. We do not link any customer data with actual customer purchases. We purchase and use address data of potential customers for marketing purposes from address data agencies. Both ways of obtaining and using actual and potential customer data are permitted under both the German Federal Data Protection Act and the Austrian Data Protection Act. We process employee data for administering the employment relationship in accordance with the German Federal Data Protection Act and the Austrian Data Protection Act. Additionally, any use of data under the Austrian Data Protection Act is subject to notification of the Austrian Data Protection Commission ("DPC") unless it is listed as a so-called "standard application." Such standard application exists with respect to actual and potential customer data and employee data necessary to administer an employment relationship. Within the limits of the respective standard application no notification of data applications to the DPC is required. Video surveillance is, *inter alia*, permitted only if it serves the surveillance deploying entity's legitimate interests and if there are no overriding interests of, for example, the customers or employees that would demand the cancellation of such use. We use video surveillance in some of the salesrooms and in our warehouses in accordance with these requirements. The German Federal Government has introduced a proposal for specific employee data protection laws which, *inter alia*, stipulate certain restrictions regarding video surveillance of employees. We may have to adapt our current practices if these laws should be adopted. We have appointed a data protection officer who supervises compliance with the German Federal Data Protection Act. With respect to video surveillance in Austria, a prior approval of the DPC has to be obtained and, in addition to further restrictions concerning storage and the analysis of data, individuals subject to surveillance need to be notified of such surveillance.

Non-compliance with the German Federal Data Protection Act can be fined with up to €300,000 or higher in case of a higher profit of the infringing act. Violations of the provisions of the Austrian Data Protection act can be fined with up to €25,000 for each violation. A willful breach with the intent to enrich oneself or another person can be fined with up to two years imprisonment or a monetary fine (and in Austria with up to one year imprisonment). Currently there are no investigations pending with the data protection authorities. We are also not aware of any infringements of the German Federal Data Protection Act or any formal data protection complaints by employees or customers in Germany.

Zoning Law with Respect to Stores

Zoning and building regulations are relevant for the location, construction and operation of our stores. This particularly applies to regulations set forth in the German Building Code (*Baugesetzbuch*), the German Building Usage Regulation (*Baunutzungsverordnung*), the Planning Codes (*Landesplanungsgesetz*) and the Building Codes of the respective German federal states (*Landesbauordnung*) as well as in development and zoning plans of the local authorities (*Flächennutzungs—und Bebauungspläne)* and retail decrees (*Einzelhandelserlasse*) of the federal states. A similar regime also applies in Austria.

Regulations on Shop Closing Time

Most European countries have regulations on shop closing times based on employees' protection and immission control. This particularly applies to shop closing times on weekends and holidays. Regulations on

shop closing times during night hours on working days were recently suspended by several European countries as respective regulations were not required anymore after the implementation of Directive 2003/88/EC concerning certain aspects of the organization of working time.

In Germany, closing times are regulated by the federal states (*Ladenschlussrecht*). The city retail businesses occasionally make use of regularly prolonged shopping hours. In Germany there are strict regulations on shop closing times on weekends and holidays. There are only occasional exceptions with respect to Sunday opening hours. We believe that the current regulations on closing times in the respective federal states accommodate the needs of our customers. Similar to Germany, Austria has enacted strict regulations on shop closing times with only occasional exceptions.

Insurance

We have taken out product, environmental, public liability and property insurance for comprehensive natural and human risks like fire, lightning, storms, vandalism and strikes. In addition to other risk insurance, we have also acquired transit insurance and group accident insurance for certain employees.

We believe that we have adequate insurance coverage against all material risks that are typically insured by similar companies with comparable risk exposure. Insurance cover is regularly verified and adjusted when necessary. However, it cannot be ruled out that we incur losses that are not covered by existing policies or that exceed the coverage level stipulated in the insurance contracts. Furthermore, it cannot be guaranteed that we will be able to maintain adequate insurance coverage at appropriate premiums in the future.

MANAGEMENT

Salsa Retail Holding DebtCo 1 S.à r.l. (the "Company") is the top company in the Group. However, the Company has delegated authority to the board of Takko Fashion GmbH ("Takko Fashion") for many of the Group's activities.

Takko Fashion GmbH Management

Management Board

The management board of Takko Fashion has five members. The management board is responsible for developing our strategy, ensuring its implementation, for the annual and long term planning as well as for the preparation of our annual financial statements as set out in our "Geschäftsordnung" and the management contracts. The management board regularly and promptly reports to the shareholder on all issues relevant to the group (for example, strategy, medium term planning, business development and risk-related matters).

Set forth below are the names and ages as of January 31, 2013, of the management board members, their position as well as the year of their appointment. All our management board members can be reached at Alfred-Krupp-Straße 21, Telgte, Germany.

Name	*Age*	*First appointed effective on*	*Office*	*Responsibilities*
Stephan Swinka	52	October 1, 2008	Chief Executive Officer	Strategy, Marketing, Personnel, Legal
Hannes Rumer	36	September 20, 2012	Chief Financial Officer	Accounting, Finance and Controlling, IT
Alexander Mattschull	41	May 16, 2007	Chief Procurement Officer	Procurement, Quality and Logistics,
Andreas Kromer	54	June 5, 2009	Chief Sales Officer	Distribution, Expansion, Architecture, Buildings, Furnishings
Hardy Schulz	42	September 20, 2012	Chief Merchandise Officer	Product Management, Planning & Allocation, Graphics & Design

Stephan Swinka

Stephan Swinka (born 1960) studied industrial engineering at the University of Hamburg, Germany. He started his career as a management trainee followed by a position as a product manager for Unilever Deutschland Holding GmbH. He then worked as a management consultant for Gruber, Titze & Partner in Germany and in the U.S., followed by a position as a marketing and sales manager with Mars Inc. In 1998, he joined Tchibo GmbH and soon became a member of the board. From 2006 to 2008, Mr. Swinka acted as CEO of the German fashion retailer Ernsting's Family, which now has approximately 1,600 stores. Mr. Swinka joined us in 2008 as CEO and is responsible for strategy, marketing, personnel, investor relations and legal.

Hannes Rumer

Hannes Rumer (born 1977) studied International Economics and Business Studies at the University of Innsbruck and holds a MBA from INSEAD. During his studies he was engaged in exchanges at the Wharton School of Business, Tulane University and Université de Nice—Sophia Antipolis. He started his career at UBS in London in 2002 (M&A) and then moved to Apax in 2006. During his time at Apax, Mr. Rumer was involved as a principal in several portfolio transactions such as Capio, Unilabs and Kinetic Concepts. He joined the Group as CFO in 2012.

Alexander Mattschull

Alexander Mattschull (born 1972) studied business management at the Goethe University in Frankfurt, Germany. From 1997 to 2004 he served as a business manager at AM Group. Mr. Mattschull established the textile business in India and Sri Lanka on behalf of AM Group and was responsible for the collection development, preparation of production, logistics and sales. In 2004 Mr. Mattschull joined the Group as divisional head of the sourcing organization. He was in charge of the procurement division and built up the

import organizations in Germany and the purchasing organizations in India, Bangladesh and China. Mr. Mattschull became our Chief Product Officer in 2007 and was responsible for product development, procurement and logistics up until 2012. Since 2012 his responsibilities concentrate on procurement, quality and logistics.

Hardy Schulz

Hardy Schulz (born 1970) has worked in various positions in the apparel fashion sector since 1990. Following 13 years at fashion retailer C&A where his final position was Product Manager, he joined the Esprit Group in 2003 as Global Business Manager/Head of Division Accessories. Hardy Schulz holds a Master in Retail-Management of TIAS Business School, Tilburg, NL. In 2011, he joined the Takko Group as General Manager Product Management Mens, Kids and AWS and was appointed one year later as a Managing Director of the Group, Telgte, Germany. He is responsible for Product Management, Design and Planning & Allocation.

Andreas Kromer

Andreas Kromer (born 1958) has worked in various positions in the apparel fashion sector since 1983. Following ten years as a manager of large-scale fashion department stores (Boecker, Cramer & Meermann), he joined the Esprit Group in 1992 as retail division head Germany at Esprit de Corp., Düsseldorf, Germany. In 1994, Mr. Kromer became managing director of Esprit Retail GmbH, Düsseldorf, Germany. From 1995 onwards, he was in charge of retail in Europe. In his final position with Esprit, he served as managing director with group-wide responsibility for retail until 2002. Between 2002 and 2004, Mr. Kromer worked for Karstadt Warenhaus AG, Essen, Germany, as sales director. In 2004, he became managing director of S.Oliver Bernd Freier GmbH & Co. KG, Rottendorf, Germany, responsible for overall distribution worldwide. In 2009, he was appointed as a managing director of the Group, Telgte, Germany and is responsible for distribution, expansion, architecture, buildings and furnishings.

Remuneration, Other Benefits, Share Ownership

The aggregate compensation for the members of the management board of Takko Fashion amounted to €2.1 million with respect to fiscal year 2012, consisting of a fixed salary, non-cash benefits, director's fees and performance-related components. In addition, members of the management board received loans from the Company in an aggregate amount of less than €200,000, which were paid out in the current fiscal year.

Management equity participation program

We have implemented a management participation program pursuant to which approximately 7.7% of shares in Salsa Retail Holding MidCo S.à r.l., the shareholder of the Company, are held by management. The rules are set out in a co-investor and shareholder's agreement. Our key provisions include:

- Customary tag along and drag along rights, guarantees, participation and cooperation obligations of the managers;
- "Good" and "bad" leaver scheme provisions;
- Capital increases: subscription entitlements, anti-dilution rights; and
- Transfers of shares restricted except to family members (or family-run businesses) with the Company's consent.

Advisory board (Beirat)

Takko Fashion has an advisory board, consisting of Dr. Georg Baur, Prof Dr. Helmut Merkel, Fabian Mansson, Christian Stahl, Oriol Pinya, Michael Phillips, Ronald van der Vis and Robin Mürer. The advisory board renders advice and recommendations to the management board. However, the advisory board does not have any management responsibility, consent rights or veto rights.

Agreement with Stephan Swinka

Stephan Swinka, our CEO since 2008, has indicated to us that he is willing to continue in his position for the full five year term of his current appointment which expires in April 2016. However, he has expressed that he

would not be willing to continue beyond that point for another term. In addition, we and Mr. Swinka have agreed to provide for an orderly succession process, such that if a successor should be found for the CEO role before April 2016, Mr. Swinka would agree to stay on in a board role to assist in the transition to the new CEO. He has also communicated to us that he would be prepared to support the Takko Group further after that period in a non executive role. While we have commenced a process to identify potential successors, we have not entered into negotiations with any candidate or extended an offer.

Corporate governance

The business rules of procedure of Takko Fashion outline various items such as board composition and decision making procedures and set out acts of the board requiring the prior consent of Salsa Retail Holding DebtCo 2 S.à r.l.

Such consent requirements include, *inter alia*:

- *Legal structure*

  Relevant acts include amending the articles of association or similar corporate documents of any Group company, amending their legal structure, issuances of shares, acquiring or disposing of companies, entering into agreements relating to profit participation; entering into enterprise agreements (*Unternehmensverträge*).

- *Financing and securities*

  Relevant acts include borrowing (except for intra-group borrowings and normal trade credits), repaying debts, creating mortgages or charges, giving guarantees and issuing bonds.

- *Business plan, audits*

  Relevant acts include commencing or terminating materially new business activities, agreeing on the business and investment plan of the relevant Group company, adopting the Group's annual budget, appointment/ removal of certain employees, entering into or amending employment contracts of certain heads of department, waiving any breaches of the agreements of certain employees or heads of department.

- *Benefit plans, equity participation program*

  Relevant acts include adopting or amending employee benefit plans or benefits, establishing or amending incentive arrangements (except for usual bonus arrangements), adopting or amending the terms of management equity participation programs.

- *Dispute resolution*

  Relevant acts include commencing, terminating or settling material litigation or arbitration proceedings.

The business rules of procedure also provide for certain reporting obligations with respect to, *inter alia*, financial condition, planning / budget and material business matters.

Takko Luxembourg 2 S.C.A.

Management Board

The Issuer, Takko Luxembourg 2 S.C.A., a corporate partnership limited by shares (*société en commandite par actions*) having its registered office at 1-3, boulevard de la Foire, L-1528 Luxembourg, Grand-Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 175630 was incorporated under the laws of the Grand Duchy of Luxembourg on February 27, 2013. The management of the Issuer is carried out by the Manager, Takko Luxembourg, a private limited liability company (société à responsabilité limitée) incorporated under, and governed by, the laws of Luxembourg, having its registered office at 1-3, boulevard de la Foire, L-1528 Luxembourg, Grand-Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*) under number B 162.665, which is designated as manager in the articles of association of the Issuer, and acts as the general partner and manager (*associé-gérant-commandité*) of the Issuer.

The management board of Takko Luxembourg has four members: Geoffrey Limpach, Geoffrey Henry, Gerard Maitrejean and Javier Rigau.

Geoffrey Limpach

Geoffrey Limpach (born 1983 in Belgium) is a Transaction Manager for Soparfi in Luxembourg where the Apax Funds are investing. He has been based in Luxembourg for eight years. He is also a director of various holding companies. Mr. Limpach has a bachelor's degree in accounting. He was appointed to the management board of Takko Luxembourg on October 4, 2012. He can be contacted at 1-3, Boulevard de la Foire, L-1528 Luxembourg.

Geoffrey Henry

Geoffrey Henry (born 1972) is the founder of Financial Accounting Tax Services. He is a Luxembourg and Belgian chartered accountant. Mr. Henry gained his experience in mergers and acquisitions, valuation techniques and strategic and financial planning during his career with Arthur Andersen and Deloitte. He acts as a director of a number of entities owned by private equity funds. Mr. Henry has bachelor's and master's degrees in finance from the University of Liège. He was appointed to the management board of Takko Luxembourg on July 14, 2011. He can be contacted at 1-3 boulevard de la Foire, L-1528 Luxembourg.

Gerard Maitrejean

Gerard Maitrejean (born 1967 in Belgium) is an attorney-at-law and partner heading the corporate department of OPF Partners in Luxembourg. He specializes in corporate law, including mergers and acquisitions, joint ventures and corporate restructurings. Gerard worked for Ernst & Young Luxembourg as well as legal adviser in notarial offices in Belgium and Luxembourg. Gerard was admitted to the Luxembourg bar in 2004 and graduated from the University of Louvain-la-Neuve (Belgium) with a "Licence en Droit." He also serves as manager of different Luxembourg companies, set-up by private equity funds. He was appointed on July 14, 2011. He can be contacted at 291 Route d'Arlon, B.P.603/L-2016, Luxembourg.

Javier Rigau

Javier Rigau (born 1978) is a principal in the Apax global retail and consumer team. He is currently based in London, after having worked in the Barcelona and Madrid offices since he joined Apax in 2001. Mr. Rigau's Apax deal experience includes Takko Fashion, Grupo Electro Stocks, Vueling Airlines, Wisdom Entertainment, Panrico and Itevelesa. He is now a director of Electro Stocks. Prior to that, Mr. Rigau worked at bakery company Bimbo and at the corporate finance division of Granville Baird. He holds an MBA from Harvard Business School and a BA in Business Administration from ESADE. He was appointed to the management board of Takko Luxembourg on July 14, 2011. He can be contacted at 33 Jermyn Street, London SW1Y 6DN, United Kingdom.

RELATED PARTY TRANSACTIONS

The following legal relationships existed in fiscal year 2010, in the twelve month period ended April 30, 2011, in fiscal year 2012 and in the nine month period ended on January 31, 2013 between the Group and related parties.

Shareholder Funding and Loans

As of February 8, 2011, the Company granted various preferred equity certificates ("PECs") amounting to a total of €258 million to Salsa Retail Holding MidCo S.à r.l. These PECs constitute cash contributions by shareholders and consist of €158 million PECs bearing non-cash interest at a rate of 10.2% per annum and €74 million PECs bearing non-cash interest at a rate of 0.5% per annum as well as €26 million yield-free PECs. As of October 31, 2011, the Company granted additional PECs amounting to €10 million to Salsa Retail Holding MidCo S.à r.l. This amount was increased by a further amount of €50 million on January 27, 2012. These additional PECs granted by the Company bear non-cash interest at a rate of 7.985% per annum. As of April 30, 2012, the PECs granted to Salsa Retail Holding MidCo S.à r.l., including capitalized and accrued interest, amounted to €341.7 million. The PECs will constitute Subordinated Shareholder Funding under the Indenture governing the Notes.

On or before the Issue Date, funds advised by Apax will indirectly make a contribution in a net cash amount of no less than €100.0 million to the Company. Consistent with prior contributions by funds advised by Apax, this contribution will be in the form of PECs granted by the Company to Salsa Retail Holding MidCo S.à r.l., which will have terms substantially identical to other PECs previously issued by the Company. The PECs will be Subordinated Shareholder Funding for purposes of the Indenture governing the Notes. This contribution, together with net proceeds from the Offering of the Notes, will be made available to the Company's direct and indirect subsidiaries to repay all of their outstanding term loans under the Existing Senior Credit Facilities, together with unpaid interest and other amounts thereunder.

In addition, as of April 30, 2012, the Group owed €3.2 million to Apax in respect of an advance payment for transaction costs regarding the Acquisition. The outstanding amount was repaid in full in June 2012.

Vendor Loan

On February 8, 2011, in connection with the Acquisition, Advent Vision S.à r.l. granted a subordinated vendor loan to Salsa Retail Holding MidCo S.à r.l. The proceeds of this loan were thereafter contributed to the Company in the form of further PECS. The vendor loan is bearing interest at a rate of 8% per annum for the period until February 8, 2014 and at a rate of 10% per annum for the period thereafter, but does not require cash interest payments. Salsa Retail Holding MidCo S.à r.l. has the option to elect to capitalize the accrued PIK interest or to pay the accrued PIK interest in cash at the end of the relevant interest periods. The vendor loan matures on February 8, 2031.

Advisory Board Members

Arnold Mattschull, a member of the management board of Advent Vision S.à r.l. from November 10, 2008 to February 8, 2011 and father of our management board member Alexander Mattschull, was a member of Takko Holding GmbH's advisory board (*Beirat*) from May 1, 2009 to February 8, 2011. On October 6, 2009, Birgit Mattschull Unternehmensberatung ("BMU"), a proprietorship run by Birgit Mattschull, Arnold Mattschull's wife, entered into a service agreement with Takko Holding GmbH. Pursuant to this service agreement, BMU agreed to cause Arnold Mattschull to provide advisory services to Takko Holding GmbH in relation to various aspects of strategic planning and business development, to attend meetings of the advisory board at least four times a year and to also be available to serve on other advisory boards of the Group, including the sole shareholder Advent Vision S.à r.l. In addition to a one-off payment in the amount of €150,000 for consultancy and assistance during our restructuring process, BMU was entitled to an annual remuneration in the amount of €50,000 plus reimbursement for reasonable expenses. BMU received a total amount of €61,300 (excluding the one-off payment of €150,000) for its services in fiscal year 2010 and *pro forma* €61,516 in the twelve month period ended April 30, 2011, as remuneration.

Karl-Joseph Kraus was chairman of Takko Holding GmbH's advisory board (*Beirat*) from June 12, 2006 to February 8, 2011. Takko Holding GmbH and KJK Management und Beteiligungen GmbH ("KJK") were parties

to a service agreement from August 27, 2007 to February 8, 2011. At that time, Karl-Joseph Kraus was the sole shareholder and managing director of KJK. Pursuant to this service agreement, KJK agreed to cause Karl-Joseph Kraus to provide advisory services to Takko Holding GmbH in relation to various aspects of strategic planning and business development, to attend meetings of the advisory board at least four times a year and to also be available to serve on other advisory boards of the Group, including the sole shareholder Advent Vision S.à r.l. The annual remuneration was set at an amount of €100,000 plus reimbursement for reasonable expenses. KJK had received a total amount of €96.9 thousand in fiscal year 2010 and *pro forma* €147,895 (of which *pro forma* €34,238 in relation to fiscal year 2010) in the twelve month period ended April 30, 2011, as remuneration.

Effective June 30, 2011, Takko Fashion's advisory board was established. External members of the advisory board include Dr. Georg Baur, Fabian Mansson and Prof. Dr. Helmut Merkel. The respective consultancy agreements with Dr. Georg Baur, Fabian Mansson and Prof. Dr. Helmut Merkel set forth the conditions and fees for the services rendered as a consultant and a member of the advisory board based on market standards for consultancy fees plus out-of pocket expenses. The total remuneration amounted to €67,298 in fiscal year 2012.

Salsa Retail Holding TopCo S.à r.l., Luxembourg, granted an opportunity to the members of the advisory board and to the top management of the Group to invest into Salsa Retail Holding TopCo S.à r.l., Luxembourg, *pari passu* with the funds advised by Apax. In fiscal year 2012 Dr. Georg Baur and Stephan Swinka agreed to such a co-investment, and each holds 0.07% of the equity interests and PECs of Salsa Retail Holding TopCo S.à r.l., Luxembourg.

The preferred equity certificates are loan securities with a total amount of €218 million as of April 30, 2012 which are bearing interest of approximately 10% p.a. and which are payable upon maturity.

The existing pari passu program is not a risk-free option model for motivating management, but an instrument that is subject to risk and will only generate a positive return in the event of an exit by funds advised by Apax. This *pari passu* instrument has not been issued at preferential conditions, but at the same conditions that applied to the Apax funds in the Acquisition. Dr. Georg Baur and Stephan Swinka may not freely sell the shares or preferred equity certificates and bear the full risk. This pari passu investment program has no effects on the balance sheet or income statement.

Furthermore, management has the opportunity to invest in the shares of Salsa Retail Holding MidCo S.à r.l., Management and Salsa Retail Holding TopCo S.à r.l. pool their shares via Takko Co-Invest GmbH & Co. KG and Salsa Co-Invest GmbH & Co. KG which holds in sum 24.9% interest in Salsa Retail Holding MidCo S.à r.l. The equity instruments have been acquired by management at fair market value, i.e. the Apax investment entity did not grant any preferential conditions, but applied the same conditions as for the Acquisition. Management may not freely sell the shares and bears the full risk of its investment. The shares will only generate a positive return in the event of an exit of the Apax funds and in certain cases where an employment agreement is terminated.

Employment and Consulting

Takko Holding GmbH has entered into a consulting agreement with Birthe Mattschull and an employment agreement with Irene Mattschull. Birthe Mattschull is married to Alexander Mattschull who is a member of Takko's management board. Birthe Mattschull is supporting Takko's purchasing department as a consultant. Irene Mattschull, Alexander Mattschull's aunt, is employed as a divisional manager in Takko's purchasing department. The individuals named above received salary or consulting remuneration payments under the contractual arrangements named above amounting to a total of €361,456 in fiscal year 2012.

Service Agreements

On April 28, 2008, Takko Holding GmbH, Advent Vision S.à r.l., the Company, and Takko Fashion G Zwei GmbH entered into a service agreement pursuant to which Takko Holding GmbH, *inter alia*, agreed to provide certain ancillary and preparatory services in relation to financial reporting and accounting, coordination of legal and tax matters and office administration. Takko Holding GmbH is entitled to, *inter alia*, reimbursement for all costs and expenses incurred in connection with its services. Until April 30, 2011, Takko Holding GmbH had received a total amount of €3,592 in consideration for services rendered to Advent Vision S.à r.l. In the fiscal year 2010, Advent Vision S.à r.l. was charged an amount of €7,200 for consulting services rendered. The service agreement was terminated as of February 8, 2011.

On February 16, 2009, Advent Vision S.à r.l. entered into a service agreement with all Group companies, except for Group companies in Croatia, Estonia, Italia, Lithuania and Slovakia. Pursuant to this service agreement, Advent Vision S.à r.l. agreed to provide, either by itself or through subcontractors, advisory and consulting services to Takko in relation to business operations, business plans, strategy development, marketing strategies, financing structure, debt management, selection and supervision of auditors, legal counsels, investment bankers, financial advisors and other consultants and human resources management. As of April 30, 2011, Advent Vision S.à r.l. had received a total amount of €131,750 as consideration. In the fiscal year 2010, Advent Vision S.à r.l. charged an amount of €256,500 for consulting services rendered. The service agreement was terminated as of February 8, 2011.

Leases

Under an agreement entered into on February 26, 2007, Takko Holding GmbH leased premises in Friedrichsdorf, Germany comprising office space, storage space and parking lots from the Grundstücksgemeinschaft Birgit and Alexander Mattschull GbR, a partnership formed by Birgit and Alexander Mattschull and represented by Birgit Mattschull. The lease commenced on May 1, 2007 with a fixed term of ten years. The monthly rent under the agreement is set at €14,800 plus VAT (at the applicable rate as amended from time to time on the due date). Until April 30, 2012, the Eigentümergemeinschaft had received a total amount of €439,955 including VAT in lease payments for the period 2010 to April 30, 2012.

Insurance

Takko Holding GmbH and Willis GmbH & Co. KG have entered into numerous contracts to provide insurance coverage for the Group. Risks insured include property, liability, D&O, employee dishonesty, criminal defense, cargo, erection and assembly, electronics, accident, traveler’s baggage, motor and health expenses in foreign countries. From 2007 until February 8, 2011, Advent Vision S.à r.l. was covered by the D&O insurance. Following the change of control between Advent International and Apax on February 8, 2011, Salsa Retail Holding MidCo S.à r.l., Salsa Retail Holding TopCo S.à r.l., the Company, Takko Holding GmbH and Salsa Retail Holding DebtCo 2 S.à r.l. are now covered by these contracts.

Indemnification Agreement

In connection with the Offering, Stephan Swinka, Hannes Rumer, Alexander Mattschull, Andreas Kromer and Hardy Schulz have entered into an indemnification agreement whereby the Issuer, Takko Luxembourg 1 S.C.A., Takko Fashion GmbH, Salsa Retail Holding MidCo S.à r.l., Salsa Retail Holding DebtCo 1 S.à r.l. and Salsa Retail Holding DebtCo 2 S.à r.l. agree to indemnify them against all personal liability (including any litigation costs) that they may incur in connection with the Offering, and agree to waive any claims that they may have against them in connection with the Offering. Salsa Retail Holding TopCo S.à r.l. also agreed to waive any claims that it may have against them in connection with the Offering.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of certain provisions of our indebtedness and certain financial arrangements to which we and certain of our subsidiaries are or will be a party. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Existing Senior Credit Facility Agreement

On December 23, 2010, in connection with the Acquisition, we entered into the Existing Senior Credit Facilities Agreement. On January 27, 2012, the Existing Senior Credit Facilities Agreement was amended, which amendment provided for an adjustment of the covenants relating to interest and debt cover, the creation of a new revolving credit facility and redesignation of part of the existing letter of credit facility, and a shareholder loan by Apax in the amount of €50 million in addition to a shareholder loan in the amount of €10 million granted to us by Apax in October 2011. As consideration for the amendment, the arrangers under the Existing Senior Credit Facilities Agreement received an additional PIK margin as well as an increase in the existing revolving credit facility margin. We plan to use the gross proceeds of the Offering to refinance all of the outstanding senior term loans under our Existing Senior Credit Facilities.

Senior Facilities

On or prior to the issuance of the Notes, we will enter into a new credit agreement (the "Credit Facilities Document") providing for a super senior multi-currency revolving credit facility (the "Revolving Credit Facility") and a super senior letter of credit facility (the "L/C Facility" and together with the Revolving Credit Facility, the "Senior Facilities"). The Revolving Credit Facility will provide for €85 million of committed financing which will be available for utilization by way of loans, letters of credit and ancillary facilities from and including the day of closing of the Offering. Borrowings under the Revolving Credit Facility Agreement will be used to finance our general corporate and working capital needs subject to certain prohibitions, such as financing any repayment, prepayment, redemption, purchase or defeasance of the principal amount of the Notes or financing the purchase of any commitment under the Revolving Credit Facility or the L/C Facility. The L/C Facility will provide for €190 million of committed financing which will be available for utilization by way of bank guarantees and letters of credit from and including the day of closing of the Offering. The L/C Facility will be used for finance our trade finance requirements.

The borrowers under the Senior Facilities will initially be Takko Fashion GmbH, Takko Holding GmbH, Takko Fashion Austria GmbH, Takko ModeMarkt GmbH and Takko Holding Netherlands B.V. The Senior Facilities will be guaranteed by the Issuer, Takko Luxembourg 1 S.C.A., Salsa Retail Holding DebtCo 1 S.à r.l, Salsa Retail Holding DebtCo 2 S.à r.l, Takko Fashion GmbH, Takko Holding GmbH Takko Fashion G Eins GmbH, Takko Fashion G Zwei GmbH, Takko GP GmbH & Co. KG, Takko Fashion Austria GmbH, Takko ModeMarkt GmbH, Takko Fashion AT Vermögensverwaltungs GmbH, Takko Fashion AT Holding GmbH, Takko Holding Netherlands B.V., Takko Fashion NL B.V., Takko Nederland B.V. and Takko Luxembourg. The facility agent (the "Facility Agent") under the Credit Facilities Document will be Unicredit Luxembourg S.A. and the security agent (the "Security Agent") will be Unicredit Luxembourg S.A.

Repayments and Prepayments

Each of the Senior Facilities will terminate five years from the date of closing of the Offering. Any amount still outstanding at that time will be immediately due and payable.

Subject to certain conditions, we may permanently cancel all or part of the available commitments under the Senior Facilities in a minimum amount of €2 million (or its equivalent) by giving three business days' prior notice to the Facility Agent. Subject to certain conditions, we may voluntarily prepay out utilizations under the Revolving Facility in a minimum amount of €500,000. Amounts repaid may (subject to the terms of the Credit Facilities Document) be reborrowed.

In addition to voluntary prepayments, the Credit Facilities Document requires mandatory prepayment and cancellation (subject to certain exceptions and limitations):

(1) with respect to any lender, if it is or will become unlawful for such lender to perform any of its obligations under the Credit Facilities Document;

(2) upon the occurrence of a change of control; and

(3) from excess proceeds from certain asset dispositions remaining after an Asset Disposition Offer pursuant to the Indenture governing the Notes.

Interest and Fees

The Revolving Credit Facility will initially bear interest at a rate per annum equal to EURIBOR (or, for loans denominated any currency other than euro, LIBOR) plus certain mandatory costs and a margin of 3.75% per annum, subject to a margin ratchet based on the ratio of Consolidated Indebtedness at each quarter date to Consolidated EBITDA (as defined in the Credit Facilities Document) for the twelve months ending on that quarter date (as such terms are defined in the Credit Facilities Document). We are also required to pay a commitment fee, quarterly in arrears, on available but unused commitments under the Revolving Credit Facility at a rate of 40% of the applicable margin.

A guarantee fee of 2.50% per annum, subject to a ratchet based on the Leverage Ratio at each quarter end for the twelve months ending on that quarter end (as such terms are defined in the Credit Facilities Document) will be payable on each letter of credit issued under the L/C Facility. We are also required to pay a commitment fee, quarterly in arrears, on available but unused commitments under the L/C Facility at a rate of 40% of the applicable guarantee fee.

We are also required to pay certain fees related to the issuance of letters of credit and certain fees to the Facility Agent and the Security Agent in connection with the Senior Facilities.

Security and Guarantees

The Senior Facilities will be guaranteed irrevocably and unconditionally, on a joint and several basis, from the Issue Date by each of our subsidiaries that is a guarantor of the Notes, Takko Luxembourg and the Issuer. The Senior Facilities will be secured on a first priority basis by security interests granted over the same assets securing the Notes, and will in addition be secured by real estate collateral.

The Credit Facilities Document also provides that, at the end of each financial year, the gross assets, and EBITDA of the guarantors under the Senior Facilities is required to represent at least 80% of the Restricted Group's gross assets and the Group's Consolidated EBITDA (each as defined in the Credit Facilities Document).

Certain guarantees will not be granted and certain assets will not be pledged (or the Liens not perfected) in accordance with agreed security principles, including (and in this paragraph, references to "security" shall be read to include the granting of any guarantee):

- if the cost of providing security is not proportionate to the benefit accruing to the beneficiaries of that security;
- if providing such security requires consent of a third party and such consent cannot be obtained after the use of commercially reasonable efforts;
- if providing such security would be prohibited by applicable law, general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules or similar matters or providing security would be outside the applicable pledgor's capacity or conflict with fiduciary duties of directors or cause material risk of personal or criminal liability after using commercially reasonable efforts to overcome such obstacles;
- if providing such security would have a material adverse effect on the ability of such Guarantor to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture;
- if providing such security or perfecting liens thereon would require giving notice in the case of bank accounts, to the banks with whom the accounts are maintained where such notice would be inconsistent with the ability to use freely the balance of the account or, in the case of receivables security, to debtors or, in the case of insurance policies, to insurers. Such notice to debtors or insurers will only be provided after the Notes or the Senior Facilities are accelerated; and
- no security will be required over hedging agreements, movable assets (unless otherwise agreed by the Parent) (including inventory, movable plant, equipment and stock-in-trade), postbank/shop transit accounts or investments/shares in joint ventures or the assets of joint ventures and no joint venture will be required to provide a guarantee.

Covenants

The Credit Facilities Document will contain customary operating and negative covenants (including restrictive covenants that largely replicate those contained in the Indenture), subject to certain agreed

exceptions. The Credit Facilities Document will also require the Issuer, each borrower and each guarantor to observe certain customary affirmative covenants. The Credit Facilities Document will require us to comply with a minimum Consolidated EBITDA test, which will be tested quarterly on a rolling twelve-month basis with the first test date in respect of the twelve month period ending on January 31, 2014.

Events of Default

The Credit Facilities Document will contain customary events of default including events of default which largely replicate those contained in the Indenture (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 Indenture, the occurrence of which would allow the lenders to accelerate all or part of the outstanding utilizations, terminate their commitments and declare all or part of their utilizations payable on demand and/or declare that cash cover in respect of ancillary facilities is immediately due and payable.

Governing Law

The Credit Facilities Document and any non-contractual obligation arising out of or in connection with it will be governed by and construed and enforced in accordance with English law, although the restrictive covenants and defaults, which are included in the Credit Facilities Document and largely replicate those contained in the Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the Credit Facilities Document is governed by English law).

Intercreditor Agreement

In connection with entering into the Credit Facilities Document and the Indenture, the Issuer and certain of the Company’s other subsidiaries, the Security Agent, the lenders and agent under the Credit Facilities Document, the trustee in relation to the Notes (for purposes of this description of the Intercreditor Agreement, the “Senior Secured Notes Trustee”) and others will enter into an intercreditor agreement. The Intercreditor Agreement will govern the relationships and relative priorities among: (i) the lenders under the Credit Facilities Document (the “Credit Facility Lenders”); (ii) the persons that accede to the intercreditor agreement as counterparties to hedging agreements (the “Hedging Agreements”) (the “Hedge Counterparties”); (iii) the Senior Secured Notes Trustee, on its behalf and on behalf of the holders of the Notes; (iv) any future trustee in relation to any future Senior Notes (the “Senior Notes Trustee”), on its behalf and on behalf of any holders of such Senior Notes; and (v) the direct or indirect shareholders of the Company in respect of certain structural debt that the Company may incur (including the holders of shareholder loans). The Issuer and each of the Company’s subsidiaries that incurs any liability or provides any guarantee under the Credit Facilities Document or the Indentures is referred to in this description as a “Debtor” and are referred to collectively as the “Debtors.”

The Intercreditor Agreement will set out:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made and security and guarantees can be accepted in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated;
- turnover provisions;
- the order of payments of proceeds received from the enforcement of Security; and
- when security and guarantees will be released to permit a sale of the Collateral.

Solely for the purposes of this description of the Intercreditor Agreement, references to:

- “Indentures” are to the Indenture governing the Notes and to the Senior Notes Indenture, if any;
- “Issuers” are to the Issuer of the Notes and Takko Luxembourg 1 S.C.A. (the “Senior Notes Issuer”);
- “Parent” are to Salsa Retail Holding DebtCo 1 S.à r.1.;
- “Senior Notes” are to any notes that may be issued by Takko Luxembourg 1 S.C.A. under a Senior Notes Indenture and any Senior Additional Notes;

- “Senior Notes Indenture” are to any indenture that may be entered into after the date of the Intercreditor Agreement by Takko Luxembourg 1 S.C.A. and notified in writing to the Security Agent by the Parent as an indenture to be treated as a “Senior Notes Indenture” for the purposes of the Intercreditor Agreement; and
- “Senior Additional Notes” are to any notes issued by Takko Luxembourg 1 S.C.A after the date of the Intercreditor Agreement and constituted under or pursuant to the Senior Notes Indenture and in accordance with the provisions of the definition of “Senior Additional Notes” set out in the Intercreditor Agreement.

At the Issue Date, no Senior Notes will be outstanding and the corresponding mechanics in the Intercreditor Agreement described herein will not be operational. Future issuances of Senior Notes will be subject to the restrictive covenants described under “Description of the Notes.”

The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Issuers and other members of the Group that is permitted by the Credit Facilities Document and the Indentures, that may rank *pari passu* with the Notes and be secured by the Collateral, subject to the terms of the Intercreditor Agreement (the “Additional Senior Secured Financing”). The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Issuers and other members of the Group that is permitted by any Senior Financing Agreement and the Indentures, that may rank junior to the Notes, subject to the terms of the Intercreditor Agreement (the “Additional Senior Financing” and together with the Senior Notes, the “Senior Debt”). By accepting a Note, holders shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The following description is a summary of certain of the provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement and we urge you to read that document 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 in respect of permitted payments and application of proceeds described below, that the liabilities of the Debtors (other than Takko Luxembourg 1 S.C.A.) shall rank in right and priority of payment in the following order and are postponed and subordinated to any other ranking liabilities as follows:

- first, in respect of the Credit Facilities Document and certain other amounts incurred under credit facilities (the “Credit Facility Lender Liabilities”), the Hedging Agreements (the “Hedging Liabilities”), the Notes (the “Senior Secured Notes Liabilities”), the Additional Senior Secured Financing (the “Additional Senior Secured Financing Liabilities”) and certain other liabilities will rank in right and priority of payment *pari passu* and without any preference between them; and
- second, in respect of the Senior Notes (the “Senior Notes Liabilities”) and the Additional Senior Financing (the “Additional Senior Financing Liabilities” and together with Senior Notes Liabilities, the “Senior Liabilities”) will rank in right and priority of payment *pari passu* and without any preference between them.

Liabilities owed to Salsa Retail Holding Midco S.à r.l. (“Holdco”) and certain other shareholders (“Subordinated Liabilities”) are postponed and subordinated to the Credit Facility Liabilities, the Hedging Liabilities, the Senior Secured Notes Liabilities, the Additional Senior Secured Financing Liabilities, the Senior Refinancing Liabilities, the Senior Liabilities and certain other liabilities.

The Credit Facilities Liabilities, the “Priority Hedge Liabilities” (consisting of those Hedging Liabilities entitled under the terms of the debt documents and pursuant to the Intercreditor Agreement to certain payments in priority to the Notes) and liabilities in respect of associated agents and creditor representatives are referred to as the “Senior Priority Liabilities.” The Senior Secured Notes Liabilities and the Additional Senior Secured Financing Liabilities are referred to as the “Senior Secured Liabilities” and holders of the Senior Secured Liabilities are referred to as “Senior Secured Creditors.” Hedging Liabilities to the extent they are not Priority Hedge Liabilities are referred to as “Non-Priority Hedge Liabilities.” The holders or creditors of the Senior Liabilities are referred to as “Senior Creditors.”

The parties to the Intercreditor Agreement agree that the security provided by the Debtors and the other parties that will provide security will secure the Credit Facility Lender Liabilities, the Senior Secured Notes Liabilities, the Additional Senior Secured Financing Liabilities, the Hedging Liabilities and (to the extent they share in the security) the Senior Liabilities *pari passu* and without any preference between them (but only to the extent that such security is expressed to secure those liabilities) and that in any event all proceeds of the security will be applied in accordance with the provisions governing the application of proceeds from enforcement of security described below under “—Application of Proceeds.”

Permitted Payments

The Intercreditor Agreement will permit certain payments by the Debtors including:

- in respect of Credit Facility Lender Liabilities, Senior Secured Liabilities and Additional Senior Secured Financing Liabilities at any time in accordance with the relevant debt documents;
- in respect of the Hedging Liabilities (provided that no payments may be made to a Hedge Counterparty if any scheduled payment due to a Debtor by such Hedge Counterparty under a relevant Hedging Agreement is due and unpaid):
  - if the payment is a scheduled payment arising under the relevant Hedging Agreement;
  - to the extent that the relevant Debtor's obligation to make the payment arises as a result of, among other things, the provisions in the Hedging Agreements relating to deduction or withholding for tax, default interest, payments in the contractual currency, judgments and expenses;
  - to the extent that the relevant Debtor's obligation to make the payment arises from a permitted hedge close out and, if applicable, no default under the Credit Facilities is continuing at the time of such payment;
  - if the "Majority Senior Priority Creditors" (consisting of those holders of Senior Priority Liabilities ("Senior Priority Creditors") whose credit participations aggregate more than 66 and 2/3% of total senior priority credit participations at that time) consent and (to the extent prohibited by the terms of the relevant debt documents) holders of a majority of, as applicable, the Senior Secured Notes Liabilities and the Additional Senior Secured Financing Liabilities consent; or
  - if the payment is in consequence of the consequence of a termination or close out; and
- in respect of any Senior Liabilities:
  - prior to the Common Secured Liabilities discharge date, (i) any payment in respect of the Senior Liabilities at any time if (A) the payment is of (1) any of the principal amount of the Senior Liabilities which is either: (aa) not prohibited by the financing agreements relating to the Credit Facility Lender Liabilities and the Senior Secured Liabilities; or (bb) paid on or after the final maturity date of the relevant Senior Liabilities (subject to certain conditions); or (2) any other amount which is not an amount of principal (including any interest which has been capitalized to become an amount of principal); (B) no Senior payment stop notice is outstanding (see the section captioned "—Payment Blockage Provisions" below); and (C) no Common Secured Liabilities payment default has occurred and is continuing; (ii) if the required consent from the relevant Senior Secured Creditors and Credit Facility Creditors has been obtained; (iii) if the payment is of an amount owing to the Senior Notes Trustee; (iv) if the payment is made by the Senior Notes Issuer and funded directly or indirectly with amounts which have not been received by the Senior Notes Issuer from another member of the Group; (v) of costs, commissions, taxes, expenses and, to the extent consistent with market comparables at the time committed to be paid (or otherwise reasonable), fees incurred in respect of or in relation to (or reasonably incidental to) any Senior Debt documents (including in relation to any reporting or listing requirements under the Senior Debt documents); (vi) if the payment is funded directly or indirectly with Additional Senior Financing; or (vii) of any other amount not exceeding €500,000 (or its equivalent) in aggregate in any financial year of the Parent; (viii) if the payment is funded directly or indirectly with Available Shareholder Amounts, New Equity or Permitted Subordinated Debt; and
  - on or after the Common Secured Liabilities discharge date, make any payment directly or indirectly in respect of the Senior Liabilities at any time.
- in respect of the Subordinated Liabilities:
  - if the payment is not prohibited by the debt documents in respect of the Credit Facilities Liabilities or the Senior Secured Liabilities or the Senior Liabilities; or
  - prior to the date on which the Senior Priority Liabilities have been discharged (the "Senior Priority Discharge Date"), the majority lenders under the Credit Facility Liabilities consent (and, if an Acceleration Event (as defined below) has occurred, the creditors in respect of the Senior Secured Liabilities ("Senior Secured Creditors") whose participations in the Senior Secured Liabilities are more than 50% of total participations in the Senior Secured Liabilities at that time ("Majority Senior Secured Creditors") consent) or after the Senior Priority Discharge Date the Majority Senior Secured Creditors consent, or after the Senior Secured Liabilities discharge date the Senior Creditors who participations in the Senior Liabilities are more than 50% of the total participations in the Senior Liabilities at that time (the "Majority Senior Creditors") consent.

Payment Blockage Provisions

Until the Common Secured Liabilities Discharge Date, except with the required consent from the majority Senior Lenders and the relevant Senior Secured Creditors, the Parent shall not make (and shall procure that no other member of the Group (other than the Senior Notes Issuer) will make), and no creditor in respect of the Senior Debt may receive from members of the Group (other than the Senior Notes Issuer) any payment in respect of the Senior Liabilities (other than Senior Notes Trustee Amounts and except as described in the immediately preceding paragraph above if:

- a payment event of default in respect of any Credit Facility Liabilities or Senior Secured Liabilities (a "Common Secured Payment Default") has occurred and is continuing; or
- an event of default in respect of any Credit Facility Liabilities or Senior Secured Liabilities (a "Common Secured Event of Default") (other than a Common Senior Secured Payment Default) is continuing, from the date which is one business day after the date on which any Creditor Representative delivers a notice (a "Senior Payment Stop Notice") specifying the event or circumstance in relation to that Common Secured Event of Default to the Parent, Senior Notes Issuer, the Security Agent, the Senior Notes Trustee and any Creditor Representative in respect of an Additional Senior Financing until the earliest of:
  - the date falling 179 days after delivery of that Senior Payment Stop Notice;
  - in relation to payments of Senior Liabilities, if a Senior standstill period is in effect at any time after delivery of that Senior Payment Stop Notice, the date on which that Senior standstill period expires;
  - the date on which the relevant Common Secured Event of Default has been remedied or waived in accordance with the applicable Common Secured Liabilities agreement;
  - the date on which the Creditor Representative which delivered the relevant Senior Payment Stop Notice delivers a notice to Senior Notes Issuer, the Security Agent, the Senior Notes Trustee and any Creditor Representative in respect of an Additional Senior Financing cancelling the Senior Payment Stop Notice;
  - the Common Secured Liabilities discharge date; and
  - the date on which the Security Agent, the Senior Notes Trustee, or a Creditor Representative in respect of an Additional Senior Financing takes enforcement action permitted under the Intercreditor Agreement against a Debtor.

Unless the Senior Notes Trustee and each Creditor Representative in relation to any Additional Senior Financing waives this requirement: (i) a new Senior Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Payment Stop Notice; and (ii) no Senior Payment Stop Notice may be delivered by a Creditor Representative in reliance on a Common Secured Event of Default more than 45 days after the date that Senior Secured Agent received notice of that Common Secured Event of Default.

A Creditor Representative may only serve one Senior Payment Stop Notice with respect to the same event or set of circumstances. Subject to the immediately preceding paragraph above, this shall not affect the right of the Creditor Representatives to issue a Senior Payment Stop Notice in respect of any other event or set of circumstances.

No Senior Payment Stop Notice may be served by a Creditor Representative in respect of a Common Secured Event of Default which had been notified to the Creditor Representative at the time at which an earlier Senior Payment Stop Notice was issued.

Cure of Payment Stop

If:

(a) at any time following the issue of a Senior Payment Stop Notice or the occurrence of a Common Secured Payment Default, that Senior Payment Stop Notice ceases to be outstanding and/or, as the case may be, the Common Secured Payment Default ceases to be continuing; and

(b) the Senior Notes Issuer then promptly pays to the Senior Creditors an amount equal to any payments which had accrued under the Senior finance documents and which would have been permitted payments in respect of the Senior Liabilities but for that Senior Payment Stop Notice or Common Secured Payment Default,

then any event of default (including any cross default or similar provision under any other debt Document) which may have occurred as a result of that suspension of payments shall be waived and any Senior enforcement notice which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Creditors or any other Creditor.

Payment obligations and capitalization of interest continues

Neither the Senior Notes Issuer nor any other Debtor shall be released from the liability to make any payment (including of default interest, which shall continue to accrue) under any Senior Debt document by the operation of the provisions set out under each section above under the captions "—Permitted Payments" and/or "—Payment Blockage Provisions" even if its obligation to make that payment is restricted at any time by the terms of any of those provisions.

The accrual and capitalization of interest (if any) in accordance with the Senior debt documents shall continue notwithstanding the issue of a Senior Payment Stop Notice.

Additional security and guarantees

The Credit Facility Lenders and, at any time prior to the Senior Priority Discharge Date, the Senior Secured Creditors may not take, accept or receive from any member of the Company's group the benefit of any security, guarantee, indemnity or other assurance against loss in respect of the Credit Facility Lender Liabilities or the Senior Secured Liabilities other than: security or a guarantee that is granted to all Credit Facility Lenders and, with the exception of German real estate collateral, Senior Secured Creditors; any guarantee, indemnity or other assurance against loss contained in the original form of the relevant Credit Facility documents or Senior Secured Liabilities documents or the Intercreditor Agreement.

At any time prior to the Common Secured Liabilities discharge date, Senior Creditors may not take, accept or receive from any member of the Company's group the benefit of any security, guarantee, indemnity or other assurance against loss in respect of the Senior Liabilities other than: security or a guarantee that is granted to all Common Secured Parties; any guarantee, indemnity or other assurance against loss contained in the Senior Liabilities documents or the Intercreditor Agreement and certain other exceptions specified in the Intercreditor Agreement.

Restrictions on enforcing

The "Maximization Aim" means the objective of ensuring the maximization of recoveries from the enforcement of the Collateral to be applied, or to be available to be applied, in satisfaction of the secured obligations.

The Intercreditor Agreement restricts the making of demands in respect of guarantee liabilities after acceleration in respect of any of the Credit Facility Lender Liabilities or in respect of any the Senior Secured Liabilities (an "Acceleration Event"), including:

- in respect of demands by the Credit Facility Lenders (or a representative on their behalf), except in relation to the Company, other than:
  - after enforcement of security granted by the relevant guarantor has commenced;
  - if such demand is undertaken with a view to achieving the Maximization Aim;
  - with the consent of the Majority Senior Secured Creditors; or
  - after certain insolvency events; and
- in respect of demands by the Senior Secured Creditors (or a representative on their behalf), except in relation to the Company, other than:
  - after enforcement of security granted by the relevant guarantor has commenced;
  - if such demand is undertaken with a view to achieving the Maximization Aim;

- with the consent of the Majority Senior Priority Creditors; or
- after certain insolvency events.

Restrictions on Enforcement by Senior Creditors

Until the Secured Liabilities discharge date, except with the prior consent of or as required by an Instructing Group:

(a) no Senior Creditor shall direct the Security Agent to enforce or otherwise require the enforcement of any Transaction Security; and

(b) no Senior Creditor shall take or require the taking of any enforcement action in relation to guarantees provided by the relevant members of the Group in support of the Senior Liabilities,

except as permitted under the provisions set out under the caption "—*Permitted Senior Creditor Enforcement*," provided, however, that no such action required by the Security Agent need be taken except to the extent the Security Agent is otherwise entitled under this Agreement to direct such action.

Permitted Senior Enforcement

The restrictions set out in the caption "—Restrictions on Enforcement by Senior Creditors" above will not apply if:

(i) an Event of Default (as defined in the Senior Notes Indenture and any Additional Senior Financing document, as applicable, each a "Senior Event of Default") (the "Relevant Senior Default") is continuing;

(ii) each Creditor Representative has received a notice of the Relevant Senior Default specifying the event or circumstance in relation to the Relevant Senior Default from the Senior Notes Trustee or the Creditor Representative in respect of the Additional Senior Financing, as the case may be;

(iii) a Senior standstill period has elapsed; and

(iv) the Relevant Senior Default is continuing at the end of the relevant Senior standstill period.

Promptly upon becoming aware of a Senior Parent Event of Default, the Senior Notes Trustee or the Senior Creditor Representative, as the case may be, may by notice (a "Senior Enforcement Notice") in writing notify the Senior Secured Agents of the existence of such Senior Event of Default.

Enforcement on Behalf of Senior Creditors

If the Security Agent has notified each of the Senior Notes Trustee and any Creditor Representative in respect of Additional Senior Financing (the "Senior Agents") that it is enforcing security created pursuant to any security document over shares of a guarantor who has provided guarantees in respect of Senior Liabilities (a "Senior Guarantor"), no Senior Creditor may take any action referred to under the provisions set out under the caption "—*Permitted Senior Enforcement*" above against that Senior Guarantor while the Security Agent is taking steps to enforce that security in accordance with the instructions of an Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase: Senior Creditors

Subject to the following paragraphs, any of the Senior Agents (on behalf of the Senior Creditors) may, after an acceleration event under any of the Credit Facilities Document, the Senior Secured Notes or in relation to any Additional Senior Secured Financing or Senior Refinancing Debt which is continuing, by giving not less than ten days' notice to the Security Agent, require the transfer to the Senior Creditors of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Lender Liabilities, the Senior Secured Notes Liabilities, the Additional Senior Financing Liabilities and the Senior Refinancing Liabilities (the "Senior Secured Liabilities") if:

(i) that transfer is lawful and, subject to paragraph (ii) below, otherwise permitted by the terms of the Credit Facilities Document, the Senior Secured Notes Indenture and any Additional Senior Secured Financing agreement or Senior Refinancing Debt agreement (as applicable);

(ii) any conditions relating to such a transfer contained in the Credit Facilities Agreement (in the case of the Credit Facility Lender Liabilities), the Senior Secured Notes Indenture (in the case of the Senior Secured Notes Liabilities), any Additional Senior Financing agreement (in the case of the Additional Senior Financing Liabilities) are complied with, in each case, other than as specified in the Intercreditor Agreement;

(iii) each of the Senior Priority Creditor Representative, on behalf of the Credit Facility Lenders, the Senior Secured Notes Trustee, on behalf of the relevant Note holders and the applicable Creditor Representative, on behalf of the relevant holders of the Additional Senior Secured Financing (as applicable), is paid the amounts required under the Intercreditor Agreement;

(iv) as a result of that transfer the Credit Facility Lenders, the Senior Note holders and the creditors in respect of the Additional Senior Secured Financing have no further actual or contingent liability to the Parent or any Debtor under the relevant Secured Debt Documents;

(v) an indemnity is provided from each Senior Creditor (other than any Senior Agent) in respect of all costs, expenses, losses and liabilities which may be sustained or incurred by any Credit Facility Lender, Note holder or relevant holders in respect of the Additional Senior Secured Financing in consequence of any sum received or recovered by any such party from any person being required (or it being alleged that it is required) to be paid back by or clawed back from any Credit Facility Lender, Note holder or relevant holders in respect of the Additional Senior Secured Financing; and

(vi) the transfer is made without recourse to, or representation or warranty from, the Senior Lenders, the Senior Note holders or relevant holders in respect of the Additional Senior Secured Financing, except that each of them shall be deemed to have represented and warranted on the date of that transfer that it has the corporate power to effect that transfer and it has taken all necessary action to authorize the making by it of that transfer.

Subject to the Intercreditor Agreement, a Senior Agent (on behalf of all the Senior Creditors) may only require a transfer of Senior Secured Liabilities if, at the same time, they require a transfer of hedging agreements regulated by the Intercreditor Agreement and if, for any reason, such transfer cannot be made in accordance with the Intercreditor Agreement, no transfer of Senior Secured Liabilities may be required to be made.

At the request of a Senior Agent (on behalf of all the Senior Creditors), the Senior Facility Agent, the Senior Secured Notes Trustee and any relevant Creditor Representative of the relevant holders in respect of the Additional Senior Secured Financing shall notify the Senior Parent Agents of the foregoing payable sums in connection with such transfer.

Enforcement of Collateral

Before the Senior Priority Discharge Date, neither the Senior Priority Creditors nor any Senior Secured Creditors may require enforcement of the Collateral unless, in the case of the Senior Priority Creditors, the Majority Senior Priority Creditors or, in the case of the Senior Secured Creditors, the Majority Senior Secured Creditors or (each of the Majority Senior Priority Creditors and the Majority Senior Secured Creditors an "Instructing Group") deliver a copy of the proposed enforcement instructions ("Enforcement Proposal") to the representative for the Senior Priority Creditors (the "Senior Priority Creditor Representative") or Senior Secured Creditors (the "Senior Secured Creditor Representative") as applicable (each a "Creditor Representative"), and the Security Agent at least two business days before the issuance of the instructions (the "Proposed Enforcement Instruction Date"). The Creditor Representatives and the Security Agent must then consult with each other for a period of not less than 30 days from the Proposed Enforcement Instruction Date (the "Initial Consultation Period") with the intention of agreeing the method by which any enforcement of the Collateral may be implemented.

A Creditor Representative is not obliged to consult as described above (or shall only be obliged to consult for a shorter period) if the Enforcement Proposal is consistent with the Security Enforcement Principles (as defined below) and:

- the Collateral has become enforceable as a result of an insolvency event; or
- the Instructing Group or the Security Agent determines in good faith (and notifies the other Creditor Representatives, the Hedge Counterparties and the Security Agent) that to do so and thereby delay enforcement could reasonably be expected to have a material adverse effect on (A) their ability to enforce any of the Collateral or (B) the realization proceeds of any enforcement of the Collateral.

Following the end of a consultation period (if required), if the Security Agent has received conflicting enforcement instructions (to the extent given) from the Creditor Representatives then, *provided* that the instructions from the Senior Secured Creditor Representative comply with the consultation requirements described above and the Security Enforcement Principles (as defined below) then the Security Agent shall comply with the instructions (which may include instructions not to enforce) from the Senior Secured Creditor Representative. In the event that:

(a) the holders of the Credit Facility Lender Liabilities and the Priority Hedging Liabilities have not been fully repaid within six months of the Proposed Enforcement Instruction Date;

(b) the relevant Enforcement Proposal gave an instruction to enforce any Collateral, the Security Agent has not commenced any enforcement action at the instruction of the Senior Secured Creditors within three months of the Proposed Enforcement Instruction Date, save where the Security Agent was instructed to take enforcement action within such three month period under instructions complying with the Intercreditor Agreement but has of its own accord failed to do so; or

(c) an insolvency event occurs in respect of any Debtor and the Security Agent has not commenced any enforcement action,

then the instructions of the Senior Priority Creditor Representative will prevail (with effect from the date of the earliest to occur of such events and so long as they are in compliance with the Security Enforcement Principles (as defined below)) and the Security Agent shall thereafter act in accordance with such instructions and disregard any instructions provided by the Senior Secured Creditor Representative.

If consultation has taken place for at least 30 days as required (or such permitted shorter period, if applicable, or if consultation was not required in the circumstances in accordance with the Intercreditor Agreement), there shall be no further obligation to consult, the Security Agent may act in accordance with instructions as to enforcement previously received from the relevant Creditor Representative and such Creditor Representative may issue instructions as to enforcement to the Security Agent at any time thereafter, *provided* that the instructions as to Enforcement given by the relevant instructing group (i) must be issued at least ten business days prior to the proposed date of enforcement and (ii) must be given in accordance with the Security Enforcement Principles (as defined below).

The "Security Enforcement Principles" are as follows:

- It shall be the aim of any enforcement of the Transaction Security to achieve the Maximization Aim by way of a prompt and expeditious enforcement of the Collateral (which is consistent with the rights and obligations of the Security Agent under the Intercreditor Agreement and applicable law) (the "Security Enforcement Objective").
- On an enforcement of Collateral over, or in respect of, a "Distressed Disposal" (meaning a disposal on the instructions of an Instructing Group where the Collateral has become enforceable or an event of default has occurred or otherwise in accordance with the security documents) of, either (a) any shares in a member of the Group or (b) assets (other than shares in a member of the Group) (unless the enforcement is by way of sale by Public Auction), (in each case other than where the aggregate book value of such assets is less than €5 million (or its equivalent)) the Security Agent shall at the request of the Senior Priority Creditor Representative or Senior Secured Creditor Representative and at the expense of the relevant member of the Group, obtain an opinion (a "Fairness Opinion") from a reputable internationally recognized investment bank or international accounting firm or a third party professional firm which is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Collateral to be enforced (or, as the case may be, the subject of such Distressed Disposal) (a "Financial Adviser") as selected by the relevant Creditor Representative requesting the opinion, that the consideration for the sale is fair from a financial point of view after taking into account all relevant circumstances and that such enforcement or Distressed Disposal is in accordance with the Security Enforcement Objective. If the Security Agent is unable to obtain such an opinion after attempting to do so (and after considering making such modifications to the proposed enforcement or Distressed Disposal as may be reasonably available and consistent with the Security Enforcement Principles in order to obtain such an opinion) because such opinions are not then generally available in the market in such circumstances, it shall notify the Creditor Representatives and shall proceed to enforce the Collateral without aiming to achieve the Security Enforcement Objective, but must comply with its duties under all relevant law. It is acknowledged that once an administrator, administrative receiver or other equivalent insolvency official is appointed, he or she will comply with applicable law in dealing with the assets subject to the Collateral (or, as the case may be, the subject of such Distressed Disposal) and will not be obliged to follow the Security Enforcement Principles.

- The Security Agent may appoint a Financial Adviser or seek the advice of a Financial Adviser in other circumstances.
- Any Fairness Opinion given in relation to the enforcement of Collateral over, or a Distressed Disposal of, a particular asset shall be conclusive evidence that the Security Enforcement Objective has been met in relation to such enforcement or Distressed Disposal.
- If a Fairness Opinion has not been obtained (other than for the reason that the Security Agent has been unable to obtain such an opinion because such opinions are not generally available in the market), by written notice within 10 business days of such person being informed of the relevant Enforcement, a Hedge Counterparty, the Senior Priority Creditor Representative of the Senior Secured Creditor Representative (where such person is not part of the Instructing Group) may object to any Enforcement on the grounds that such Enforcement does not aim to achieve the Security Enforcement Objective (an "Objection"). In the absence of an Objection, the Security Agent is entitled to assume that such enforcement is in accordance with the Security Enforcement Objective.
- Notwithstanding the above, if the Transaction Security is being enforced pursuant to enforcement instructions provided to the Security Agent by the Creditor Representative for the Senior Secured Creditors, the Security Agent is not required to enforce by way of sale by Public Auction or provide a Fairness Opinion if (i) the enforcement is in accordance with applicable law, and (ii) the Collateral will be enforced such that sufficient enforcement proceeds will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Intercreditor Agreement, the Credit Facility Lender Liabilities and the Priority Hedging Liabilities are repaid and discharged in full.
- For the purposes of the Security Enforcement Principles, "Public Auction" means an auction or other competitive sale process in which more than one bidder participates or is invited to participate, which may or may not be conducted through a court or other legal proceeding, and which is conducted with the advice or an independent internationally recognized investment bank, provided that the holders of the Notes and the Senior Notes, the Credit Facility Lenders, any Additional Senior Financing Creditors and any Additional Senior Financing Creditors shall have a right to participate in such auction.

Enforcement Instructions

The Security Agent may refrain from enforcing the security unless instructed otherwise by (i) an Instructing Group; or (ii) if required as set out under the third paragraph of this section, the Majority Senior Creditors.

Subject to the security having become enforceable in accordance with its terms (i) an Instructing Group; or (ii) to the extent permitted to enforce or to require the enforcement of the security prior to the Senior Discharge Date under the provisions under the caption "—Restrictions on Enforcement" above, the Majority Senior Creditors, may give or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the security as they see fit.

Prior to the Senior Secured Liabilities discharge date, (i) if an Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the security or (ii) in the absence of instructions from an Instructing Group, and, in each case, an Instructing Group has not required any Debtor to make a distressed disposal, the Security Agent shall give effect to any instructions to enforce the security which the Majority Senior Creditors are then entitled to give to the Security Agent under the provisions under the caption "—Restrictions on Enforcement" above.

Subject to certain provisions of the Intercreditor Agreement, no secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Security Agent.

Manner of Enforcement

If the security is being enforced as set forth above under the caption "—Enforcement Instructions," the Security Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as:

- an Instructing Group; or
- prior to the Senior Secured Liabilities discharge date, if (i) the Security Agent has, pursuant to the third paragraph of this "—Enforcement of Security" section, given effect to instructions given by the

Majority Senior Creditors to enforce the security; and (ii) an Instructing Group has not given instructions as to the manner of enforcement of the security, the Majority Senior Creditors,

shall instruct or, in the absence of any such instructions, as the Security Agent sees fit.

Exercise of Voting Rights

Each creditor shall agree with the Security Agent that it will cast its vote in any proposal put to the vote by, or under the supervision of, any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings (other than prior to a Distress Event, in respect of any consolidations, mergers reorganizations or other similar transactions, actions, steps or matters not prohibited under the Credit Facility Documents and the Senior Secured Debt Documents) relating to any member of the Group as instructed by the Security Agent subject to certain exceptions as set out in the Intercreditor Agreement. The Security Agent shall give instructions for the purposes of this paragraph as directed by an Instructing Group. Notwithstanding the foregoing, no party can exercise or require any other creditor under the Intercreditor Agreement to exercise its power of voting or representation to waive, reduce, discharge, extend the due date for payment or otherwise reschedule any of the liabilities owed to that creditor.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the secured parties and the Debtors waives all rights it may otherwise have to require that the security be enforced in any particular order or manner or at any particular time, or that any sum received or recovered from any person, or by virtue of the enforcement of any of the security or of any other security interest, which is capable of being applied in or towards discharge of any of the secured obligations, is so applied.

Duties Owed

Pursuant to the Intercreditor Agreement, each of the secured parties and the Debtors acknowledges that, in the event that the Security Agent enforces, or is instructed to enforce, the security prior to the Senior Secured Liabilities discharge date, the duties of the Security Agent and of any receiver or delegate owed to any of them in respect of the method, type and timing of that enforcement or of the exploitation, management or realization of any of that security shall be no different to or greater than the duty that is owed by the Security Agent, receiver or delegate to the Debtors under general law.

Application of Proceeds

The Intercreditor Agreement will provide that amounts received by the Security Agent for application in accordance with the Intercreditor Agreement or in connection with the realization or enforcement of all or any part of the Collateral will be applied in the following order of priority:

- *first*, *pari passu* and *pro rata* in payment of any sums owing to the Security Agent, any receiver or any delegate, the Senior Secured Notes Trustee, the Senior Notes Trustee (and all interest thereon as provided in the relevant finance documents);
- *second*, in or towards payment to the Creditor Representative in respect of any Credit Facility Lender Liabilities and to Hedge Counterparties for application towards the discharge of the Credit Facility Lender Liabilities and the Priority Hedging Liabilities on a *pro rata* basis;
- *third*, in or towards payment to the Senior Secured Notes Trustee on behalf of the holders of the Notes and each creditor representative in respect of any Additional Senior Secured Liabilities and the Hedge Counterparties for application towards the discharge of the Senior Secured Notes Liabilities, the Additional Senior Secured Financing Liabilities and the Non-Priority Hedging Liabilities on a *pro rata* basis (but excluding amounts recovered in connection with the realization or enforcement of liens on real estate located in Germany);
- *fourth*, in respect of any recoveries received by the Security Agent in respect of the Senior Notes Guarantees and the Security the Senior Notes benefit from only, towards payment to the Senior Notes Trustee on behalf of the holders of the Senior Notes and each creditor representative in respect of any Senior Notes Liabilities and the Additional Senior Financing Liabilities on a *pro rata* basis; and
- *fifth*, in payment to any person who the Security Agent is obliged to pay in priority to any Debtor; and
- *sixth*, to the relevant Debtor.

Release of the Guarantees and the Security

Non-distressed disposal

In circumstances where a disposal is not a distressed disposal (and is otherwise permitted by each relevant Senior Secured Debt Documents or any Additional Senior Financing documents) the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Collateral over the relevant asset; and (ii) if the relevant asset consists of shares in the capital of a Debtor (or any holding company of that Debtor), to release any collateral security or claim (relating to a Debt Document) over the assets of that Debtor or holding company and any shares or assets of its subsidiaries.

Distressed disposal

In circumstances where a Distressed Disposal is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Collateral, or any other claim over that asset; (ii) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (or instruct to release) (a) that Debtor and any subsidiary of that Debtor from all or any part of its liabilities, (b) any Collateral granted by that Debtor or any subsidiary of that Debtor over any of its assets and (c) any other claim in connection with Subordinated Liabilities or claim of another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, on behalf of the relevant creditors and Debtors; (iii) if the asset which is disposed of consists of shares in the capital of any holding company (or other direct or indirect shareholder) of a Debtor, to release (a) that holding company (or other direct or indirect shareholder) and any of its subsidiaries from all or any part of its liabilities, (b) any Collateral granted by that holding company (for shareholder) or its subsidiaries over any assets and (c) any other claim in connection with Subordinated Liabilities or claim of another Debtor over the assets of any subsidiary of that holding company (or shareholder), on behalf of the relevant creditors and Debtor; and (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company (or direct or indirect shareholder) of a Debtor, to dispose of all (and not part) the liabilities of that Debtor or holding company (or shareholder) or of its subsidiaries under the Debt Documents and all or part of any other liabilities on behalf of the creditors and the Debtors; and (e) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company (or direct or indirect shareholder) of a Debtor, to transfer to another Debtor all or part of the obligations of the first Debtor or any obligations of any of its subsidiaries in respect of its liabilities.

If prior to the discharge date for the Senior Notes or any Additional Senior Financing, a Distressed Disposal is being effected such that the guarantees of any Senior Notes and the guarantees of any Additional Senior Financing or any security over the assets of the Parent or any Senior Guarantor (including the shares in and/or any loan to the Company) will be released and/or the Senior Liabilities will be released, it is a further condition to the release that either:

- the Senior Notes Trustee and any Creditor Representative in respect of any Additional Senior Financing has approved the release; or
- where shares or assets of a Senior Guarantor or assets of the Parent are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash);

(B) all claims of the Common Secured Parties (other than in relation to performance bonds or guarantees or similar instruments) against a member of the Group (if any), all of whose shares (other than any minority interest not owned by members of the Group) are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and are not assumed by the purchaser or one of its affiliates), and all security under the security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, provided that, if each Senior Secured Agent (acting reasonably and in good faith):

(I) determines that the Common Secured Parties will recover a greater amount if such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released or discharged; and

(II) serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(C) such sale or disposal is made:

(I) pursuant to a public auction in respect of which the Primary Creditors are entitled to participate; or

(II) where a financial adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view.

Option to purchase

The holders of the Notes and the Senior Notes, any Additional Senior Secured Debt Creditor may after the occurrence of an Acceleration Event, by giving not less than ten days' notice to the Security Agent, require the transfer to them (or to a nominee or nominees) of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Lender Liabilities and the Priority Hedging Liabilities (together with the obligations of the Priority Hedge Counterparties under the Hedging Agreements) if, among other things:

- the transfer is lawful and is permitted and otherwise in accordance with the Credit Facility Documents and Hedging Agreements;
- the amount paid is equal to the Senior Priority Liabilities plus certain other amounts;
- as a result of the transfer, the Senior Priority Creditors have no further actual or contingent liability to any Debtor; and
- an indemnity is provided from the purchasing Senior Secured Creditors to each Credit Facility Lender and Priority Hedge Counterparty in respect of all losses which may be sustained or incurred because of persons entitled (or allegedly entitled) to be paid back or clawed back amounts in respect of the Senior Priority Liabilities.

Amendment

The Intercreditor Agreement will provide that it may be amended or waived or any consent may be given under it with the written agreement of the representative for each group of creditors as determined by the applicable Debt Document and the Company. Notwithstanding, the consent of the Hedge Counter Parties or the Subordinated Creditors will only be required to the extent the amendment directly and adversely affects the rights or obligations of such creditors or would materially and adversely affect the rights and obligations of such creditors (other than, in the case of Hedge Counterparties, any amendment or waiver affecting Senior Secured Creditors or Senior Priority Creditors generally). Amendments and waivers to cure defects, typographical errors, resolve ambiguities or reflect changes of a technical or administrative nature may be effected by the Security Agent and the Company without the consent of any other party to the Intercreditor Agreement.

Governing law

The Intercreditor Agreement and non-contractual obligations arising out of or in connection with it is governed by English law.

Hedging Obligations

We manage certain floating rate and currency exchange rate risk by hedging our exposure through interest rate and cross currency swaps. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosure of Market Risks."

DESCRIPTION OF THE NOTES

This description describes €380,000,000 aggregate principal amount of 9.875% senior secured notes due 2019 (the "*Fixed Rate Notes*") and €145,000,000 aggregate principal amount of senior secured floating rate notes due 2019 (the "*Floating Rate Notes*" and, together with the Fixed Rate Notes, the "*Senior Secured Notes*"). The Senior Secured Notes will be issued by Takko Luxembourg 2 S.C.A. (the "*Issuer*") and guaranteed by Salsa Retail Holding DebtCo 1 S.à r.l (the "*Company*") and certain direct and indirect subsidiaries of the Company (each guarantor, a "*Guarantor*" and together the "*Guarantors*").

In this Description of the Notes, the "Company" refers only to Salsa Retail Holding DebtCo 1 S.à r.l, and any successor obligor to Salsa Retail Holding DebtCo 1 S.à r.l under the Indenture (as defined herein), and not to any of its subsidiaries, including the Issuer.

The Issuer will issue the Senior Secured Notes under an indenture to be dated as of the Issue Date between, among others, the Issuer, the Guarantors and Deutsche Trustee Company Limited, as Trustee (the "*Indenture*"). The Fixed Rate Notes and the Floating Rate Notes each constitute a separate series of Senior Secured Notes but the Senior Secured Notes will be treated as a single class of securities for all purposes under the Indenture, including for purposes of voting and taking other actions by holders of such Senior Secured Notes, except as otherwise specified herein. The Senior Secured Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See "*Notice to Investors*." The terms of the Senior Secured Notes include those stated in the Indenture and will not incorporate any terms by reference to the Trust Indenture Act of 1939, as amended and is not intended to be qualified under the Trust Indenture Act of 1939, as amended. Each series of Senior Secured Notes is subject to all such terms pursuant to the provisions of the Indenture, and holders of such Senior Secured Notes are referred to the Indenture for a statement thereof.

The following is a summary of the material provisions of the Indenture and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture. Because this is a summary, it may not contain all the information that is important to you. You should read the Indenture in its entirety. Copies of the proposed form of the Indenture are available as described under "*Where You Can Find More Information*." You can find the definitions of certain terms used in this description under "*—Certain Definitions*."

Brief Description of the Senior Secured Notes and the Note Guarantees

The Senior Secured Notes

The Senior Secured Notes:

- are senior obligations of the Issuer, secured by the Collateral described below on a first priority basis along with obligations under the Senior Facilities Agreement (although the noteholders will receive proceeds of the Collateral after any super priority debt, including the Senior Facilities Agreement and any Hedging Agreements, in the event of foreclosure or in any bankruptcy, insolvency or other similar event);
- are senior in right of payment to any future Subordinated Indebtedness of the Issuer;
- are effectively senior 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 under the Senior Secured Notes;
- are guaranteed on a senior secured basis by the Guarantors; and
- are effectively subordinated to the liabilities of the subsidiaries of the Company, other than the Issuer that do not guarantee the Senior Secured Notes.

The enforcement of payment claims against the Issuer is subject to certain contractual and legal limitations as described in this Offering Memorandum.

The Note Guarantees

The Senior Secured Notes will be guaranteed by each Guarantor as described herein (each such guarantee, a "*Note Guarantee*").

Each Note Guarantee:

- is the senior obligation of the relevant Guarantor, secured by the Collateral described below on a first priority basis along with obligations under the Senior Facilities Agreement (although the noteholders will receive proceeds of the Collateral after any super priority debt, including the Senior Facilities Agreement and any Hedging Agreements, in the event of foreclosure or in any bankruptcy, insolvency or other similar event);
- is senior in right of payment to any existing or future Subordinated Indebtedness or Subordinated Shareholder Funding of such Guarantor;
- is effectively senior to any existing or future unsecured obligations of such Note Guarantor to the extent of the value of the Collateral that is available to satisfy the obligations under the Senior Secured Notes; and
- other than the Company's Note Guarantee, is subject to certain contractual and legal limitations as described in this Offering Memorandum.

Certain Limitations on Enforcement

The enforcement of the Senior Secured Notes, Note Guarantees and certain Collateral is subject to certain limitations pursuant to the Intercreditor Agreement. These limitations are described in more detail under "*Description of Other Indebtedness—Intercreditor Agreement*."

In addition, the enforcement of each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles. The enforcement of Collateral granted by the Guarantors is subject to significant limitations. As a result of these limitations, the enforceable amounts of a Guarantor's obligation under its Note Guarantee could be significantly less than the total amounts payable with respect to the Senior Secured Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The enforcement against the Guarantors incorporated in Germany, Austria, the Netherlands and Luxembourg will be limited.*" These limitations are described in more detail under "*Certain Limitations on Validity and Enforceability*" and "*Description of Other Indebtedness—Intercreditor Agreement*."

Principal, Maturity and Interest

The Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The rights of holders of beneficial interests in the Senior Secured Notes to receive the payments on such Senior Secured Notes are subject to applicable procedures of Euroclear Bank SA/NV ("*Euroclear*") and Clearstream Banking, société anonyme ("*Clearstream*"). If the due date for any payment in respect of any Senior Secured Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Fixed Rate Notes

The Fixed Rate Notes will mature on April 15, 2019 and will be redeemed at 100.0000%.

Interest on the Fixed Rate Notes will accrue at the rate of 9.875% per annum and be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2013. We will make each interest payment to the Holders of record on the immediately preceding April 1 and October 1.

Interest on the Fixed Rate Notes will accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Floating Rate Notes

The Floating Rate Notes will mature on April 15, 2019 and will be redeemed at 100.0000%.

Interest on the Floating Rate Notes will be payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on July 15, 2013. We will make each interest payment to the Holders of record on the immediately preceding January 1, April 1, July 1 and October 1.

Each Floating Rate Note will bear interest at a rate per annum (the "*Applicable Rate*"), reset quarterly, equal to three-month EURIBOR plus 7.0%, as determined by the calculation agent (the "*Calculation Agent*"), which shall initially be Deutsche Bank AG, London Branch. Interest will be computed on the basis of a 360-day year and the actual number of days in each month.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Floating Rate Notes.

"*Determination Date*" with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

"*EURIBOR*" with respect to an Interest Period, means the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Screen EURIBOR 01 as of 11:00 a.m., Brussels time, on the Determination Date. If Reuters Screen EURIBOR 01 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Euro-zone inter-bank market, as selected by the Calculation Agent, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the Euro-zone inter-bank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent, to provide such bank's rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

"*Euro-zone*" means the region comprised of member states of the European Union that adopt the euro.

"*Interest Period*" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include July 15, 2013.

"*Representative Amount"* means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*TARGET Settlement Day*" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the "*Interest Amount"*). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Floating Rate Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual amounts of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (*e.g.*, 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655)). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of wilful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law.

Additional Notes

From time to time, subject to the Issuer's compliance with the covenant described under the heading *"—Certain Covenants—Limitation on Indebtedness,"* the Issuer is permitted to issue additional Notes, which

shall have the terms set out in an Officer's Certificate supplied to the Trustee ("Additional Notes"). Such Additional Notes will be treated, along with all other Senior Secured Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of the Notes," references to "Senior Secured Notes" shall be deemed to include references to the Senior Secured Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may also be designated as Additional Fixed Rate Notes or Additional Floating Rate Notes, but only if having terms substantially identical in all material respects to the initial Fixed Rate Notes or the initial Floating Rate Notes, respectively. The initial Fixed Rate Notes and any Additional Fixed Rate Notes shall be deemed to form one series and references to the "Fixed Rate Notes" shall be deemed to refer to the Fixed Rate Notes initially issued on the Issue Date as well as any Additional Fixed Rate Notes. The initial Floating Rate Notes and any Additional Floating Rate Notes shall be deemed to form one series and references to the "Floating Rate Notes" shall be deemed to include the Floating Rate Notes initially issued on the Issue Date as well as any Additional Floating Rate Notes.

Methods of Receiving Payments on the Senior Secured Notes

Principal, premium, if any, and interest, if any, on the Global Notes (as defined below) will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Senior Secured Notes represented by one or more Global Note registered in the name of or held by a nominee of Euroclear and Clearstream will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, and interest, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents in the City of London and Luxembourg, in each case, maintained for such purposes. In addition, interest on the Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Senior Secured Notes*."

Paying Agent and Registrar for the Senior Secured Notes

The Issuer will maintain one or more paying agents (each a "*Paying Agent*") for the Senior Secured Notes in the City of London. The Issuer will also undertake to maintain a paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income (the "*Directive*"). The Initial Paying Agent for the Senior Secured Notes will be Deutsche Bank AG, London Branch.

The Issuer will also maintain one or more registrars (each, a "*Registrar*") with offices in Luxembourg, for so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market. The Issuer will also maintain a transfer agent in Luxembourg. The initial Registrar and transfer agent will be Deutsche Bank Luxembourg S.A. in Luxembourg. The Registrar and the transfer agent in Luxembourg will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the holders of such Senior Secured Notes. For so long as the Senior Secured 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, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of any series of Senior Secured Notes.

Transfer and Exchange

The Senior Secured Notes will initially be issued in the form of several registered notes in global form without interest coupons, as follows:

Each series of Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by global notes in registered form

without interest coupons attached (the "*144A Global Notes*"). Each of the 144A Global Notes representing the Fixed Rate Notes (the "*Fixed Rate 144A Global Notes*") and the 144A Global Notes representing the Floating Rate Notes (the "*Floating Rate 144A Global Notes*") will, upon issuance, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream.

Each series of Senior Secured Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by temporary global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). Each of the Regulation S Global Notes representing the Fixed Rate Notes, (the "*Fixed Rate Regulation S Global Notes*") and the Regulation S Global Notes representing the Floating Rate Notes (the "*Floating Rate Regulation S Global Notes*" and, together with the Floating Rate 144A Global Notes, the "*Floating Rate Global Notes*") will, on the closing date, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes of the same series only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Senior Secured Notes, ownership of Book-Entry Interests in Regulation S Global Notes will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act and no physical notes may be issued in exchange therefor. After the expiration of such 40-day period, beneficial interests in the temporary Regulation S Global Notes will be exchangeable for beneficial interests in the permanent Regulation S Global Note only upon receipt by the Trustee of a certification on behalf of the beneficial owner that such beneficial owner is either (i) not a U.S. person (within the meaning of Regulation S under the Securities Act) or (ii) a U.S. person who purchased the notes in a transaction that did not require registration under the Securities Act. Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 aggregate principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*."

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in aggregate principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Senior Secured Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Senior Secured Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Senior Secured Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Registrar and the Paying Agents will be entitled to treat the Holder of a Senior Secured Note as the owner of it for all purposes. In respect of Registered Notes issued by the Issuer, each time the Register is amended or updated, the Registrar shall send a copy of the register to the Issuer who will keep an updated copy of the Register at its registered office (the "Duplicate Register"). In the event of inconsistency between the Register and the Duplicate Register, the Duplicate Register shall, for purposes of Luxembourg law, prevail.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Senior Secured Notes, all of the Company's Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," 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 Indenture.

The Proceeds Loans

The Issuer will loan the proceeds of the Offering of the Senior Secured Notes issued on the Issue Date to the Company under the Proceeds Loans pursuant to the Proceeds Loan Agreements to be dated the Issue Date. The Proceeds Loan Agreements will provide that the Company will pay to the Issuer interest (including any additional amounts due thereunder) and principal as it becomes payable on the corresponding Floating Rate Notes or Fixed Rate Notes, as applicable. The Proceeds Loans will bear floating or fixed interest, as applicable, at a rate at least equal to the interest rate of the corresponding Floating Rate Notes and Fixed Rate Notes and interest on the respective Proceeds Loan will be payable at no more than five business days prior to the corresponding interest payment under the Floating Rate Notes and Fixed Rate Notes, as applicable. The terms of the Proceeds Loan Agreements prohibit the Company as borrower under the Proceeds Loans from prepaying any of the Proceeds Loans or setting off other claims and obligations against the Proceeds Loans at any time, except where a corresponding payment is due at such time on or in relation to the Senior Secured Notes. However, the terms will permit transferring or novating a Proceeds Loan in whole or in part; *provided* that (i) a Restricted Subsidiary remains the borrower of such Proceeds Loan, (ii) either (A) the Person that at the Issue Date is the borrower of such Proceeds Loan continues to provide a Guarantee of such Proceeds Loan or (B) such transfer or novation is not, in the good faith judgment of the Company, materially disadvantageous to the Holders and (iii) such move or novation results in a reduction of, or avoids an increase in, the amount of Consolidated Income Taxes payable by the Company and its Restricted Subsidiaries that would be or become payable absent such transfer or novation.

Note Guarantees

The obligations of the Issuer pursuant to the Senior Secured Notes of each series, including any payment obligation resulting from a Change of Control, will be fully and unconditionally guaranteed, jointly and severally, by the Company (such guarantee, the "Parent Guarantee") and certain Restricted Subsidiaries of the Company.

The initial Guarantors and their respective jurisdictions of incorporation are:

Guarantor	*Jurisdiction of Formation*
Salsa Retail Holding DebtCo 1 S.à r.l.	Luxembourg
Salsa Retail Holding DebtCo 2 S.à r.l.	Luxembourg
Takko Luxembourg	Luxembourg
Takko Luxembourg 1 S.C.A.	Luxembourg
Takko Holding GmbH	Germany
Takko Fashion Austria GmbH (formerly Salsa Retail Austria Bidco GmbH)	Austria
Takko Fashion GmbH (formerly Salsa Retail German Bidco GmbH)	Germany
Takko Holding Netherlands B.V. (formerly Salsa Retail Netherlands Bidco B.V.)	Netherlands
Takko Fashion AT Holding GmbH	Austria
Takko Fashion AT Vermögensverwaltungs GmbH	Austria
Takko ModeMarkt GmbH	Austria
Takko Fashion G Eins GmbH	Germany
Takko Fashion G Zwei GmbH	Germany
Takko GP GmbH & Co. KG	Germany
Takko Fashion NL B.V.	Netherlands
Takko Nederland B.V.	Netherlands

The Guarantors include each entity that has guaranteed the Senior Facilities Agreement at the Issue Date, and accounted for:

- 77.5% of our consolidated net revenue and 91.8% of our Adjusted EBITDA for the fiscal year 2012; and
- 89.5% of our Total Assets as of April 30, 2012.

See "*Presentation of Financial and Other Information*."

The percentage of our Total Assets is calculated as total aggregated assets of the Guarantors, the Company and the Issuer as a percentage of Total Assets. Such total aggregated assets also eliminate intercompany effects such as investments in subsidiaries, loans and receivables to affiliated companies as well as transfer pricing impacts.

Subject to the Agreed Security Principles, the Company may require that certain Restricted Subsidiaries become Guarantors in the future pursuant to the covenant entitled "*Additional Guarantees*." Any such additional Note Guarantee shall have such limitations and restrictions as may, in the good faith judgment of the Company, be required to comply with applicable laws or other restrictions reflected in the Agreed Security Principles.

The Agreed Security Principles are described in more detail under "*Description of Other Indebtedness—Revolving Credit Facility—Security and Guarantees*" and apply to the granting of guarantees and security in favor of obligations under the Senior Facilities Agreement and the Senior Secured Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory limitations, financial assistance, corporate benefit, fraudulent preference, "thin capitalization" rules, tax restrictions, retention of title claims, contractual restrictions and similar principles. The Agreed Security Principles also provide that the Guarantee will not be taken if the cost of doing so would be disproportionate to the benefit to the holders of the Senior Secured Notes.

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. See "*Certain Limitations on Validity and Enforceability*." By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior Secured Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See "*Risk Factors—Risks Related to the Senior Secured Notes and the Guarantees—The enforcement against the Guarantors will be limited under German, Austrian, Dutch and Luxembourg law.*"

The Notes Guarantee of a Guarantor other than the Company will be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the Indenture;

(2) in connection with any sale or other disposition of Capital Stock of that Guarantor (or Capital Stock of any Parent of such Guarantor (other than the Company)) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary, if the sale or other disposition does not violate the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

(3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) as permitted in relation to actions taken in accordance with the Intercreditor Agreement as described under "*Description of Other Indebtedness—Intercreditor Agreement*";

(5) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Defeasance*" and "*—Satisfaction and Discharge*";

(6) upon the full and final payment of the Senior Secured Notes; or

(7) as described under the caption "*—Amendment and Waivers*."

In addition, the Parent Guarantee will be released in the circumstances described in clauses (4), (5), (6) or (7) above. Upon any occurrence giving rise to a release of a Notes Guarantee, the Trustee, subject to receipt of certain documents from the Issuer and/or Guarantor, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Notes Guarantee. Neither the Issuer, the Trustee nor any Guarantor will be required to make a notation on the Senior Secured Notes to reflect any such release, discharge or termination.

Substantially all the operations of the group are conducted through Subsidiaries of the Company. Certain Subsidiaries have not guaranteed the Senior Secured Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-Guarantor Subsidiaries, claims of creditors of non-Guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries and claims against joint ventures generally will have priority with respect to the assets and earnings of those Subsidiaries and joint ventures over the claims of creditors of the Issuer and the Company, including holders of the Senior Secured Notes. The Senior Secured Notes and each Note Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of subsidiaries of the Company (other than the Issuer and the Guarantors) and joint ventures. As of January 31, 2013, after giving *pro forma* effect to the Transactions, the total liabilities of the Company's non-Guarantor Subsidiaries would have been approximately €18.8 million, including trade payables but excluding intercompany obligations. Although the Indenture limits the incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock. See "*—Certain Covenants—Limitation on Indebtedness*."

Security

The Collateral

Pursuant to various Security Documents and to the extent feasible under applicable law, the Issuer and each Guarantor have granted or will grant to UniCredit Luxembourg S.A., as Security Agent, first priority liens and security interests in all the following (collectively, the "*Collateral*"), subject to the grant of further Permitted Collateral Liens:

(a) all present and future shares of capital stock of (or other ownership or profit interests in) the Issuer and each present and future Guarantor (other than the shares of the Company);

(b) rights over intercompany debt of the Issuer and each Guarantor, including the Proceeds Loan; and

(c) bank accounts, certain inventory, intellectual property rights and certain insurance receivables.

Notwithstanding the foregoing, certain assets may not be pledged (or the Liens not perfected) in accordance with the Agreed Security Principles, including:

- if the cost of providing security is not proportionate to the benefit accruing to the holders of the Senior Secured Notes;
- if there is material incremental cost involved in creating security over all assets of a Guarantor in a particular category of assets, only the material assets in that category will be subject to security;
- if providing such security requires consent of a third party and such consent cannot be obtained after the use of reasonable endeavors;
- if and to the extent providing such security would be prohibited by general statutory limitations, financial assistance, corporate benefit, capital maintenance rules, fraudulent preference, "thin capitalization" rules, tax restrictions, retention of title claims and similar principles or providing security would be outside the applicable pledgor's capacity or conflict with fiduciary duties of directors of such pledgor causing a material risk of personal or criminal liability after using reasonable endeavors to overcome such obstacle; and
- if perfecting such security would have a material adverse effect on the ability of such Subsidiary to conduct its operations and business in the ordinary course as otherwise permitted by the Indenture.

The Agreed Security Principles are described in more detail under "*Description of Other Indebtedness—Revolving Credit Facility—Security and Guarantees*."

The Collateral will also secure, on an equal and ratable basis, the liabilities under the Senior Facilities Agreement and certain hedging arrangements and any Additional Notes. Subject to certain conditions, including compliance with the covenant described under "*—Certain Covenants—Impairment of Security Interest*," the Company is permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture.

Subject to the Agreed Security Principles, if material property is acquired by the Issuer or any Guarantor that is not automatically subject to a perfected security interest under the Security Documents and which will be subject to a security interest under the Senior Facilities Agreement, then (to the extent the security interest is not already granted in favor of the Security Agent for the Holders of the Senior Secured Notes) the Issuer or relevant Guarantor will within 60 days provide security over this property in favor of the Security Agent and deliver certain certificates and opinions in respect thereof as specified in the indenture.

Administration of Security and Enforcement of Liens

The Security Documents and the Collateral will be administered by the Security Agent (or in certain circumstances a sub-agent), in each case pursuant to the Intercreditor Agreement for the benefit of all holders of secured obligations. The enforcement of the Security Documents will be subject to agreed procedures laid out in the Intercreditor Agreement. For a description of the Intercreditor Agreement, see "*Description of Other Indebtedness—Intercreditor Agreement*."

The ability of holders of the Senior Secured Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's or a Guarantor's bankruptcy. See "*Risk Factors—Risks Related to the Notes and the Guarantees-Insolvency laws and other limitations on the Guarantees and the security may adversely affect their validity and enforceability*" and "*Risk Factors—Risks Related to the Notes and the Guarantees—The insolvency laws of Luxembourg, Germany, the Netherlands and other local insolvency laws 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*." In addition, the enforcement of the Collateral will be limited to the maximum amount required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of a Guarantor's obligation under its Note Guarantee could be significantly less than the total amounts payable with respect to the Senior Secured Notes, or a Guarantor may have effectively no obligation under its Note Guarantee. See "*Risk Factors—Risks Related to the Notes and the Guarantees—The enforcement against the Guarantors incorporated in Germany, Austria, the Netherlands and Luxembourg will be limited.*" These limitations are described in more detail under "*Certain Limitations on Validity and Enforceability*."

Subject to the terms of the Security Documents, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Secured Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Company in connection with the issuance of the Senior Secured Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after the payment of obligations under the Senior Facilities Agreement and any other super priority debt would be sufficient to satisfy the obligations owed to the holders of the Senior Secured Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to cause the sale of some of the Collateral. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See "*Description of Other Indebtedness—Intercreditor Agreement*."

The creditors under the Senior Facilities Agreement and the Trustee for the Senior Secured Notes have, and by accepting a Senior Secured Note, each Holder will be deemed to have:

- irrevocably appointed UniCredit Luxembourg S.A. as Security Agent to act as its agent and as security agent under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents); and
- irrevocably authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Priority

The relative priority with regard to the Collateral as between (a) the lenders under the Senior Facilities Agreement, (b) the counterparties under certain hedging contracts, lenders under certain ancillary facilities and issuers of certain letters of credit, (c) the Trustee and the Holders under the Indenture and (d) any trustee of any future Senior Notes and the holders of such Senior Notes under any indenture governing such Senior Notes, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide that the obligations under the Senior Secured Notes, the Senior Facilities Agreement and such hedging contracts and letters of credit or other ancillary facilities will be secured equally and ratably by a first-priority interest in the Collateral, *provided* that obligations under the Senior Facilities Agreement and such hedging contracts and letters of credit or other ancillary facilities will be repaid in enforcement prior to the Senior Secured Notes.

Please see the sections entitled "*Description of Other Indebtedness-Intercreditor Agreement*." In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*—Release of Liens*," "*—Certain Covenants-Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Release of Liens

Subject to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, to the extent a release is required by a Security Document, upon receipt of an Officer's Certificate, the Security Agent shall release, and the Trustee shall, if so requested, direct the Security Agent to release, without the need for consent of the holders, Liens over the property and other assets constituting Collateral securing the Senior Secured Notes and the Notes Guarantees:

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person (i) that is not (either before or after giving effect to such transaction) the Company or any of its Restricted Subsidiaries, if the sale or other disposition does not violate the Indenture or (ii) that is the Company or a Restricted Subsidiary, *provided* that such release is made in compliance with the Senior Facilities Agreement (or if the Senior Facilities Agreement shall have been discharged, would have been permitted if in the form immediately prior to such discharge) and the Intercreditor Agreement; *provided*, in each case (i) and (ii), that such sale, assignment, transfer, conveyance or other disposition of such property or assets is permitted by the Indenture;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property, assets and Capital Stock, of such Guarantor;

(3) if the Company designates any of its Restricted Subsidiaries (other than the Issuer) to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property, assets and Capital Stock of such Restricted Subsidiary;

(4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "*—Legal defeasance and covenant defeasance*" and "*—Satisfaction and discharge*";

(5) if a permitted action is taken in accordance with the Intercreditor Agreement as described under "*Description of other indebtedness—Intercreditor Agreement*";

(6) upon the full and final payment of the Senior Secured Notes;

(7) as described under the caption "*—Amendments and Waivers*"; or

(8) as described under the caption "*Certain Covenants—Impairment of Security Interest*."

The Issuer and the Guarantors may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien of the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring or otherwise disposing of current assets in the ordinary course of business; and (iii) any other action permitted by the Security Documents, *provided* that in each case any such action is in accordance with, and permitted under, the Indenture, the Security Documents and the Intercreditor Agreement.

Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements

In connection with the Incurrence of any Indebtedness by the Company or any of its Subsidiaries that is permitted to share the Collateral, the Trustee and the Security Agent shall, at the request of the Company, enter into with the Company, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an "*Additional Intercreditor Agreement*"), on substantially the same terms as the Intercreditor Agreement (or terms that are not materially less favorable to the Holders and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided*, *further*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, the Company shall furnish to the Trustee such documentation in relation thereto as it may reasonably require. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described herein under "*Certain Covenants—Restricted Payments*."

The Indenture will also provide that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be Incurred by the Company or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (*provided* that such Indebtedness is Incurred in compliance with the Indenture), (3) add Guarantors to the Intercreditor Agreement, (4) further secure the Senior Secured Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens or (6) make any other change to any such agreement that does not adversely affect the Holders of Senior Secured Notes in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Senior Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

A copy of the Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Issuer and, for so long as any Senior Secured Notes are admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange, at the offices of the Paying Agent in Luxembourg.

Optional Redemption

Floating Rate Notes

Except as set forth below or under "—*Redemption for Taxation Reasons*," the Issuer will not be entitled to redeem the Floating Rate Notes at its option prior to April 15, 2014.

At any time on and after April 15, 2014, the Issuer will be entitled at its option to redeem all or a portion of the Floating Rate Notes, at any time or from time to time, upon not less than 10 Business Days' nor more than 60 days' notice, at the following redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued and unpaid interest, if any, to, but not including, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on April 15 of the years set forth below.

Year	*Redemption Price*
2014	101.0%
2015 and thereafter	100.0%

At any time prior to April 15, 2014, the Issuer will be entitled at its option to redeem all or a portion of the Floating Rate Notes upon not less than 10 Business Days' nor more than 60 days' prior notice at a redemption price equal to 100% of the principal amount of such Floating Rate Notes plus the relevant Floating Rate Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date.

Fixed Rate Notes

Except as set forth below or under "—*Withholding Taxes*," the Issuer will not be entitled to redeem the Fixed Rate Notes at its option prior to April 15, 2016.

At any time on and after April 15, 2016, the Issuer will be entitled at its option to redeem all or a portion of the Fixed Rate Notes, at any time or from time to time, upon not less than 10 Business Days' nor more than 60 days' notice, at the following redemption prices (expressed in percentages of principal amount on the redemption date), plus accrued and unpaid interest, if any, to, but not including, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on April 15 of the years set forth below.

Year	*Redemption Price*
2016	104.938%
2017	102.469%
2018 and thereafter	100.000%

At any time prior to April 15, 2016, the Issuer will be entitled at its option, at any time or from time to time, to redeem Fixed Rate Notes (which includes Additional Fixed Rate Notes, if any) in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the Senior Secured Notes (which includes Additional Fixed Rate Notes, if any) originally issued at a redemption price (expressed as a percentage of principal amount) of 109.875%, plus accrued and unpaid interest, if any, to, but not including, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) with the Net Cash Proceeds from one or more Equity Offerings; *provided*, *however*, that

(1) at least 60% of such aggregate principal amount of Fixed Rate Notes (which includes Additional Fixed Rate Notes, if any) remains outstanding immediately after the occurrence of each such redemption; and

(2) each such redemption occurs within 180 days after the date of the related Equity Offering.

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof.

At any time prior to April 15, 2016, upon not less than 10 Business Days' nor more than 60 days' prior notice, the Issuer will be entitled at its option to redeem all or a portion of the Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes plus the Applicable Premium as of, and accrued and unpaid interest to, but not including, the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date). Notice of such redemption must be mailed by first-class mail to each Holder's registered address not less than 10 Business Days' nor more than 60 days' prior to the redemption date, and any such redemption will otherwise be given in accordance with the provisions set forth under "*—Selection and Notice*."

General

Notice of redemption will be provided as set forth under "*—Selection and Notice"* below.

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering).

If the Issuer effects an optional redemption of the Senior Secured Notes, it will, for so long as the Senior Secured 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, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Senior Secured Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Secured Notes will be subject to redemption by the Issuer.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Secured Notes.

Selection and Notice

If less than all of any series of the Senior Secured Notes is to be redeemed at any time, the Trustee or the Registrar, as applicable, will select Senior Secured Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which that series of Senior Secured Notes is listed, as certified to the Trustee or the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear and Clearstream, or if the Senior Secured Notes are not so listed or such exchange prescribes no method of selection and the Senior Secured Notes are not held through Euroclear or Clearstream, or Euroclear and Clearstream prescribe no method of selection, on a *pro rata* basis; *provided*, *however*, that no Senior Secured Note of €100,000 in aggregate principal amount or less shall be redeemed in part.

So long as any Senior Secured 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, any such notice to the holders of the relevant Senior Secured Notes shall to the extent and in the manner permitted by such rules be posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) and in addition to such release, not less than 10 Business Days' nor more than 60 days' prior to the redemption date, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the website of the Luxembourg Stock Exchange (www.bourse.lu), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Senior Secured Note will be issued in the name of the Holder thereof upon cancellation of the original Senior Secured Note. In the case of a Global Note, an appropriate notation will be made on such

Senior Secured Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of them called for redemption. Neither the Trustee nor the Registrar will be liable for any selections made by it under this paragraph.

Redemption for Taxation Reasons

The Issuer or a Successor Entity, as defined below, may redeem any series of Senior Secured Notes in whole as to such series, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the Holders of the relevant series of Senior Secured Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption by the Issuer or a Successor Entity (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer, a Successor Entity or a Guarantor (a "*Payor*") determines in good faith that, as a result of:

(1) any change in, or amendment to, law or treaty (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below in *"—Withholding Taxes"*) affecting taxation; or

(2) any change in, or amendment to, 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) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

such Payor is or on the next interest payment date in respect of the relevant series of Senior Secured Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to such Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable but not including assignment of the obligation to make payment with respect to the Senior Secured Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction, unless the Change in Tax Law would have applied to the predecessor of the Successor Entity. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the relevant Payor would be obliged to make such payment of Additional Amounts if a payment in respect of the Senior Secured Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or, where relevant, mailing of any notice of redemption of any series of Senior Secured Notes pursuant to the foregoing, the Issuer or a Successor Entity will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the relevant Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer is incorporated or organized, engaged in business or resident for tax purposes or any jurisdiction from or through which payment is made by or on behalf of such Person on the Senior Secured Notes and any political subdivision thereof or therein.

Withholding Taxes

All payments made by a Payor on the Senior Secured Notes or the Note Guarantees, as defined below, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) Germany or any political subdivision or governmental authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on any such Senior Secured Note or Note Guarantee, as applicable, is made by the relevant Payor or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the relevant Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "*Relevant Taxing Jurisdiction*"),

will at any time be required from any payments made with respect to any Senior Secured Note or Note Guarantee, including payments of principal, redemption price, premium, if any, or interest, if any, the relevant Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by the Holders or the Trustee, as the case may be, after such withholding or deduction (including any such withholding or deduction from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Senior Secured Note or Note Guarantee in the absence of such withholding or deduction; provided, however, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Senior Secured Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership, holding or disposition of such Senior Secured Note or Note Guarantee or the receipt of any payment in respect thereof;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Secured Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Senior Secured Notes;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(5) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, such Directive;

(6) any Taxes imposed in connection with a Senior Secured Note presented for payment (where presentation is permitted or required for payment) by or on behalf of a Holder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Senior Secured Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union; or

(7) any combination of the above.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the Holder or the beneficiary of the payment had presented the Senior Secured Note for payment (where presentation is permitted or required for payment) within 15 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Senior Secured Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Senior Secured Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Senior Secured Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Senior Secured Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Company and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Luxembourg Paying Agent if the Senior Secured Notes are then admitted for trading on the Euro MTF Market.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Senior Secured Note or Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof, without further enquiry, that such payments are necessary.

Wherever in either indenture, the Note Guarantees or this Description of the Notes there are mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Senior Secured Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Senior Secured Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Issuer will pay any present or future stamp, court or documentary taxes, any other excise taxes or any other property or similar taxes, charges or levies that arise in any Relevant Taxing Jurisdiction from the execution, delivery, registration or enforcement of any Senior Secured Notes, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than a transfer of the Senior Secured Notes), and the Issuer agrees to indemnify the Holders for any such taxes paid by such Holders. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is organized or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all or part (equal to €100,000, or an integral multiple of €1,000 in excess thereof) of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obliged to repurchase Senior Secured Notes of any series as described under this heading, "*Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Secured Notes of such series as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Secured Notes of a series as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 30 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of any such Senior Secured Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Secured Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*") and record date;

(3) stating that any Senior Secured Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Secured Note or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Senior Secured Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Senior Secured Notes or portions of Senior Secured Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Secured Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Senior Secured Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;

(4) in the case of Global Notes, deliver, or cause to be delivered, to the principal Paying Agent the Global Notes in order to reflect thereon the portion of such Senior Secured Notes or portions thereof that have been tendered to and purchased by the Issuer; and

(5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Secured Notes, and the Trustee or an authentication agent appointed by the Trustee (the "*Authentication Agent*") will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Senior Secured Note equal in aggregate principal amount to the unpurchased portion of the Senior Secured Notes surrendered, if any; *provided* that each such new Senior Secured Note will be in an aggregate principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof. For so long as the Senior Secured Notes are admitted for trading on the Euro MTF Market and the rules of such exchange so require, the Company will publish a public announcement with respect to the results of the Change of Control Offer as soon as practicable after the Change of Control Payment Date on the official website of the Luxembourg Stock Exchange.

If and for so long as the Senior Secured 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, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Senior Secured Notes are then listed) in connection with the repurchase of Senior Secured Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or require a repurchase of the Senior Secured Notes, under the Change of Control provisions of the Indenture by virtue of the conflict.

The Senior Facilities Agreement will provide that the occurrence of a Change of Control would require the repayment of such debt. Future debt of the Company or its Subsidiaries may prohibit the Issuer from purchasing Senior Secured Notes in the event of a Change of Control or provide that a Change of Control is a default or requires repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Senior Secured Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on one or both of the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's and the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Senior Secured Notes. See "*Risk Factors—Risks Related to the Notes and the Guarantees—We may not be able to fulfil our repurchase obligations in the event of a change of control*."

The Change of Control repurchase feature is a result of negotiations between us and the Initial Purchasers. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that we or our shareholders would decide to do so in the future. Subject to certain covenants described below, we or our shareholders could enter into certain transactions, including acquisitions, refinancings, recapitalizations or certain sales or syndications of our shares by our shareholders that would not constitute a Change of Control under the Indenture, but that could increase the amount of debt outstanding at such time or otherwise affect our capital structure or credit ratings.

The definition of "*Change of Control*" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is limited case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Secured Notes as described above. In addition, in specified circumstances, a Change of Control Offer need not be made if a leverage condition is satisfied upon the transfer of control. You should note that case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, the Issuer may nevertheless avoid triggering a change of control under a clause similar to clause (2) of the definition of "*Change of Control*," if the outgoing directors were to approve the new directors for the purpose of such change of control clause.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control may be waived or modified with the written consent of holders of a majority in outstanding aggregate principal amount of the Senior Secured Notes under the Indenture.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer and any Guarantor may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries is greater than 2.0:1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness Incurred by any of the Issuer or Guarantors pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing

Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of (A) €85 million and (B) 65% of Consolidated EBITDA, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Issuer or any Guarantor so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture; or (b) without limiting the covenant described under "*—Certain Covenants—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness or other obligations of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness or other obligations is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided*, *however*, that:

   (a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company; and

   (b) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company,

   shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Company or such Restricted Subsidiary, as the case may be; *provided, further*, that, if a Restricted Subsidiary that is not the Issuer or a Guarantor owns or holds such Indebtedness and the Issuer or any Guarantor is the obligor on such Indebtedness, such Indebtedness is unsecured and expressly subordinated to the prior payment in full of all obligations with respect to the Senior Secured Notes or such Guarantor's Note Guarantee, as the case may be, or is a Working Capital Intercompany Loan;

(4) Indebtedness represented by (a) the Senior Secured Notes (other than any Additional Notes) and any "parallel debt" obligations under the Intercreditor Agreement and the Security Documents, (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date after giving effect to the application of the proceeds from the issuance of the Senior Secured Notes (as described in the section "*Use of Proceeds*" of this Offering Memorandum), (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clauses (5), (7), or (11) of this paragraph or Incurred pursuant to the first paragraph of this covenant, and (d) Management Advances;

(5) Indebtedness of any Person (i) Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or another Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary or (ii) Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary; *provided*, *however*, with respect to each of clause (5)(i) and (5)(ii), that at the time of such acquisition or other transaction (x) the Company would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into in the ordinary course of business for *bona fide* hedging purposes of the Company or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or senior management of the Company);

(7) Indebtedness represented by Capitalized Lease Obligations or Purchase Money Obligations, in each case incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Company or any of its Restricted Subsidiaries, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate

outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this sub-clause (7) and then outstanding, will not exceed at any time outstanding the greater of €35 million or 2.3% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business; *provided,* however, that, other than in the case of a letter of credit or similar instrument that is permitted to be secured, and is secured, by a Permitted Trade L/C Lien, upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within five Business Days of Incurrence; and

(b) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries;

(11) Indebtedness of the Company or any of its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed €30 million; *provided* that at the aggregate outstanding principal amount of Indebtedness Incurred by Restricted Subsidiaries other than the Issuer or a Guarantor pursuant to this clause (11) does not exceed at any time an amount of €10 million; and

(12) Indebtedness of any of the Issuer or Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided, however,* that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for the purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Certain Covenants—Limitation on Restricted Payments*" to the extent the Company and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*" in reliance thereon.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding on the Issue Date under the Senior Facilities Agreement shall be deemed initially Incurred on the Issue Date under clause (1) of the second paragraph of the description of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and may not be reclassified pursuant to clause (1) of this paragraph;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7) or (11) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and

(8) for the purposes of determining "Consolidated EBITDA" under clause (1)(i)(B) of the second paragraph of this covenant, (i) pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries and (ii) Consolidated EBITDA shall be measured on or about the date on which the Company obtains new commitments (in the case of revolving facilities) or incurs new Indebtedness (in the case of term facilities).

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, or the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Certain Covenants—Limitation on Indebtedness*." The amount of any Indebtedness outstanding as of any date shall be calculated in accordance with the definition of "Indebtedness."

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Certain Covenants—Limitation on Indebtedness*," the Company shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euros, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of

such Indebtedness being refinanced; (b) the Euro Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement 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 euros, 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.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The aggregate principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Company's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

  (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and

  (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*");

(4) make any payment (other than by capitalization of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or

(5) make any Restricted Investment in any Person

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "*Restricted Payment*"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

  (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

  (b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the "*—Certain Covenants—Limitation on Indebtedness*" covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (6), (10), (11) and (12) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing after the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date (excluding, for the avoidance of doubt, the Issue Date Equity Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or the Issue Date Equity Contribution) of the Company subsequent to the Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such clause (6) of the second succeeding paragraph and (y) Excluded Contributions;

(iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *provided*, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under this clause (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Company or a Restricted Subsidiary,

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included under the preceding clause (v); *provided further*, *however*, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Company. The foregoing provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(a) (i) from Net Available Cash to the extent permitted under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" below, but only if the Company shall have first complied with the terms described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Company shall have first complied with the terms described under "*—Change of Control*" and purchased all Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing,

redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;

(6) so long as no Default has occurred and is continuing (or would result from) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €10 million plus (2) €2 million per calendar year, with unused amounts carried over, plus (3) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" above;

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments (i) in connection with, and of fees and expenses Incurred in connection with, the Transactions or (ii) to the extent specified in clauses (2), (3), (5), (7) (to the extent that such payments do not exceed the amount of tax that the Company and its Restricted Subsidiaries would owe without taking into account the Tax Sharing Agreement with such Parent or Unrestricted Subsidiary and *provided* that the related tax liabilities of the Company and its Restricted Subsidiaries are relieved thereby), (11) and (12) of the second paragraph under "*—Certain Covenants—Limitation on Affiliate Transactions;*"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company and (b) following the Initial Public Offering, an amount equal to 6% of the Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions pursuant to this clause (b), the Consolidated Leverage Ratio shall be equal to or less than 3.0 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed €30 million;

(12) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided*, *however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of senior management of the Company);

(13) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (13); and

(14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent issued after the Issue Date; *provided*, *however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate the issuance of Designated Preference Shares) of the Company, from the issuance or sale of such Designated Preference Shares.

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 Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Company acting in good faith.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien (the "*Initial Lien*") upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Initial Lien secures any Indebtedness or Trade L/C Obligations other than: (a) in the case of any such property or asset that does not constitute Collateral, (i) Permitted Liens or (ii) any Initial Lien that is not a Permitted Lien if the Senior Secured Notes, the Indenture and, in the case of Liens on the property of a Guarantor, the Note Guarantee of such Guarantor are secured equally and ratably with (or prior to in the case of Liens securing Subordinated Indebtedness) the obligations so secured by such Initial Lien for so long as such obligations are so secured (except that a Lien to secure Indebtedness incurred under clause (1) or clause (6) (to the extent such Indebtedness is Indebtedness (x) under Interest Rate Agreements that relate to the Floating Rate Notes or other floating rate securities that are *pari passu* with the Floating Rate Notes or incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or (y) under Currency Agreements with a term of not more than two years) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" and Permitted Trade L/C Liens may have super priority not materially less favorable to the Holders than that accorded to the Revolving Credit Facility on the Issue Date pursuant to the Intercreditor Agreement); or (b) in the case of any such property that constitutes Collateral, Permitted Collateral Liens.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary;

(B) make any loans or advances to the Company or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Facilities Agreement) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (including the Indenture, the Senior Secured Notes, the Notes Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents);

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with or in contemplation of such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Entity, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Entity;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Company);

(4) any encumbrance or restriction:

    (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

    (b) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements; or

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreements or any instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Senior Facilities Agreement, together with the security documents associated therewith, as in effect on the Issue Date or (ii) the Company determines in good faith that such encumbrances or restrictions will not adversely affect the Issuer's ability to make principal or interest payments on the Senior Secured Notes; or

(12) any encumbrance or restriction existing by reason of any lien permitted under "*—Certain Covenants—Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) 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 or a member of senior management of the Company, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:

    (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a non-Guarantor Restricted Subsidiary (in each case, other than Indebtedness owed to the Company or any Restricted Subsidiary) or Indebtedness incurred pursuant to clause (1) of the second paragraph of the covenant entitled "*Limitation on Indebtedness*" within 365 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the aggregate principal amount so prepaid, repaid or purchased (except in relation to Indebtedness incurred pursuant to clause (1) of the second paragraph of the covenant entitled "*Limitation on Indebtedness*"); (ii) purchase the Senior Secured Notes pursuant to an offer to all holders of Senior Secured Notes in compliance with the requirements for an Asset Disposition Offer described below or redeem the Senior Secured Notes in compliance with the requirements of "*Optional Redemption—Selection and Notice*" above, in each case at a purchase or redemption price, as applicable, equal to no less 100% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest thereon to the date of repurchase or redemption; or (iii) to prepay,

repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest to the date of such prepayment, repayment or purchase; *provided* that the Company shall redeem, repay or repurchase Pari Passu Indebtedness pursuant to this clause (iii) only if the Company makes (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Senior Secured Notes to purchase their Senior Secured Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Senior Secured Notes at least equal to the proportion that (x) the total aggregate principal amount of Senior Secured Notes outstanding bears to (y) the sum of the total aggregate principal amount of Senior Secured Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness; or

(b) to the extent the Company or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary) within 365 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 365th day; *provided* that the Indenture will require that, to the extent that any disposition in such Asset Disposition was of Collateral, the assets acquired by the Issuer or any Guarantor with the Net Cash Proceeds thereof are pledged as Collateral, subject to the Agreed Security Principles, under the Security Documents substantially simultaneously with such acquisition, in accordance with the requirements set forth in the Indenture;

provided that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute "*Excess Proceeds*" under the Indenture. On the 366th day after an Asset Disposition, or at an earlier date to the extent elected by the Issuer, if the aggregate amount of Excess Proceeds under the Indenture exceeds €15 million, the Issuer will be required to make an offer ("*Asset Disposition Offer*") to all holders of Senior Secured Notes issued under such indenture and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase the maximum principal amount of Senior Secured Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Secured Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Secured Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in case of the Senior Secured Notes denominated in euros in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Secured Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and Pari Passu Indebtedness. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

Any Net Available Cash payable in respect of the Senior Secured Notes pursuant to this covenant will be apportioned between the Fixed Rate Notes and Floating Rate Notes in proportion to the respective aggregate principal amounts of Fixed Rate Notes and Floating Rate Notes validly tendered and not withdrawn.

To the extent that any portion of Net Available Cash payable in respect of the Senior Secured Notes is denominated in a currency other than the currency in which the relevant Senior Secured Notes are denominated, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in the currency in which such Senior Secured Notes are denominated that is actually received by the Issuer upon converting such portion into such currency.

The Asset Disposition Offer, in so far as it relates to the Senior Secured Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the aggregate principal amount of Senior Secured Notes and, to the extent it elects, 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 Senior Secured Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Secured Notes issued under the Indenture and Pari Passu Indebtedness or portions of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Senior Secured Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Senior Secured Notes an amount equal to the purchase price of the Senior Secured Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Senior Secured Note (or amend the applicable Global Note), and the Trustee, upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Secured Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Senior Secured Note surrendered; *provided* that each such new Senior Secured Note will be in an aggregate principal amount with a minimum denomination of €100,000. Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

For the purposes of clause (3) of the first paragraph of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness of the Company or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Company or such Restricted Subsidiary) and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(2) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are released from any Note Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Company (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed €25 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).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Senior Secured Notes are then listed) in connection with the repurchase of Senior Secured Notes pursuant to the Indenture. To the extent that the

provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate of the Company (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of €5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of €10 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Company resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments"*) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (12) and (16) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Company and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary of the Company or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) the Transactions and the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Company or the relevant Restricted Subsidiary, as applicable, in the reasonable determination of the Board of Directors or the senior management of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;

(11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €2.5 million per year and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Company in good faith;

(12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries; and

(13) public tender or exchange offers for securities or debt instruments issued by the Company or any Restricted Subsidiary that are conducted on arms' length terms, provide equal access to all holders of such securities or debt instruments and provide for the same price or exchange ratio, as applicable, to all such holders accepting such tender or exchange offer.

Reports

For so long as any Senior Secured Notes are outstanding, the Company will provide to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company or its predecessor 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) unaudited *pro forma* consolidated income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited consolidated financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Company, and a discussion of material commitments and contingencies and critical accounting policies; (d) description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments, all on a consolidated basis; and (e) a description of 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 Company, all quarterly reports of the Company containing the following information: (a) an unaudited

condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income, shareholders equity and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods (*provided* that information for prior year interim periods ending prior to the Issue Date may be based on management reports), together with condensed footnote disclosure; (b) unaudited *pro forma* consolidated income statement information and balance sheet information of the Company (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited consolidated financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources of the Company, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; and

(3) promptly after the occurrence of any material acquisition, disposition, restructuring, merger or similar transaction or any senior executive officer or Board of Directors changes at the Company or change in auditors of the Company or any other material event affecting the Company or any of its Restricted Subsidiaries, a report containing a description of such event.

All financial statements and *pro forma* financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented and be accompanied by a brief description of the material differences, if any, between IFRS in effect for such reporting period and IFRS as in effect on the Issue Date; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for any Subsidiaries of the Company.

Notwithstanding the foregoing requirements, in respect of any period that is before the Issue Date in whole or in part, (i) there shall be no requirement to produce comparative prior period data where such data is not available and (ii) financial data may be presented on a *pro forma* or combined basis and need not be audited.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual and quarterly financial information required by the first two clauses of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Company and its Subsidiaries, which reconciliation shall include the following items: revenue, EBITDA, net income, cash, total assets, total debt, total equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in (1), (2) and (3) above, the Company shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Company and its Subsidiaries for investor reports or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Company in good faith) or (b) to the extent the Company determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon their request, prospective purchasers of the Senior Secured Notes. The Company 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 Senior Secured 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 Paying 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.

In addition, so long as the Senior Secured Notes remain outstanding and during any period during which the Company is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company shall furnish to the Holders and, upon their request, prospective purchasers of the Senior Secured Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer and the Company

Neither the Issuer nor the Company will consolidate with or merge with or into another Person (whether or not the Issuer or the Company, as the case may be, is the surviving corporation), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, unless:

(1) the resulting, surviving or transferee Person (the "*Successor Entity"*) will be a Person organized and existing under the laws of any member state of the European Union as in effect on December 31, 2003, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Entity (if not the Issuer or the Company, as the case may be) will expressly assume all the obligations of the Issuer or the Company, as the case may be, under the Senior Secured Notes or the Company's Guarantee, as the case may be, the Indenture, the Security Documents and the Intercreditor Agreement, as applicable, pursuant to agreements reasonably satisfactory to the Trustee;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Entity or any Subsidiary of the Successor Entity as a result of such transaction as having been Incurred by the Successor Entity or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) in the case of a transaction involving the Company, immediately after giving effect to such transaction, either (a) the Successor Entity would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; and

(4) the Issuer or the Company, as the case may be, shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Entity (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer or the Company, as the case may be, which properties and assets, if held by the Issuer or the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer or the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer or the Company, as the case may be.

The Successor Entity will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or the Company, as the case may be, under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such indenture or the Senior Secured Notes.

Notwithstanding the preceding clauses (2) and (3) (which do not apply to transactions referred to in this sentence) and, other than with respect to the second preceding paragraph, clause (4) of the first paragraph of this covenant, (a) any Restricted Subsidiary of the Company may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer or the Company and (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an

Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) shall not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Company.

The Guarantors

None of the Guarantors may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation), or

(2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or

(3) permit any Person to merge with or into it

unless

(A) the other Person is the Company, the Issuer or any Restricted Subsidiary that is Guarantor or becomes a Guarantor concurrently with the transaction); or

(B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under the Indenture and the Security Documents; and

(2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Senior Secured Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to the Senior Secured Notes: "*—Certain Covenants—Limitation on Restricted Payments*," "*—Certain Covenants—Limitation on Indebtedness*," "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," "*—Certain Covenants—Limitation on Affiliate Transactions*," and "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," "*—Certain Covenants—Impairment of Security Interest*," and the provisions of clause (3) of the first paragraph of the covenant described under "*—Certain Covenants—Merger and Consolidation*," and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and the "*—Certain Covenants—Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Company's option, as having been Incurred pursuant to the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or one of the clauses set forth in the second paragraph of such covenant

(to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

Additional Guarantees

The Company will not cause or permit any of its Restricted Subsidiaries that are not Guarantors or the Issuer, directly or indirectly, to Guarantee any Indebtedness under the Senior Facilities Agreement or any Public Debt unless such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness.

In addition, subject to the Agreed Security Principles, the Company shall cause each Restricted Subsidiary (other than an Immaterial Subsidiary, as determined based on the audited annual reports referred to below) to execute and deliver a supplemental indenture or other appropriate agreement providing for such Restricted Subsidiary's Guarantee on the same terms and conditions as those set forth in the Indenture, within 30 days of delivery of the Company's audited annual reports to the Trustee pursuant to the Indenture.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee.

Subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Restricted Subsidiary will, within such 60 day period, provide security over its assets (other than an asset of such Restricted Subsidiary which is subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any Obligations secured by such Permitted Lien) to secure its Note Guarantee on a first priority basis consistent with the Collateral, and the Company will cause all of the Capital Stock in such Restricted Subsidiary owned by the Company and its Restricted Subsidiaries to be pledged to secure the Senior Secured Notes and the Note Guarantees on a first priority basis consistent with the Collateral.

Each additional Note Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to Guarantee the Senior Secured Notes to the extent and for so long as the Incurrence of such Note Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Note Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Company, the Issuer or a Restricted Subsidiary; *provided*, *further*, that any Person that becomes a Restricted Subsidiary after the Issue Date will not be required to become a Guarantor for so long as the Company is not, in the ordinary course, able to prepare or obtain financial statements (and related auditors' reports and consents) of such Person that are required by applicable law, rule or regulation to be included in any required filing with a legal or regulatory authority (*provided* that (a) such Person shall not have Guaranteed any Public Debt of the Company or any of its Restricted Subsidiaries and (b) the Company shall use its reasonable efforts to prepare or obtain any such financial statements).

Impairment of Security Interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that the Company and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with the Indenture, the applicable Security Documents and the Intercreditor Agreement.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any security interest in accordance with the Indenture and the Intercreditor Agreement. The Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Holders in any material respect; *provided*, *however*, that, subject to the foregoing, no Security Document may be amended, extended, renewed, restated or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Company delivers to the Security Agent and the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Trustee, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), (2) a certificate from an 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 (3) an opinion of counsel (subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Security Agent and the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, supplemented, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Company and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Limitation on activities of the Issuer

The Issuer may not carry on any business or own any material assets other than:

(1) pursuant to or incidental to the offering, sale, issuance and servicing, purchase, redemption, refinancing, retirement or on-lending of the Senior Secured Notes or the incurrence of other Indebtedness permitted by the terms of the Indenture or performance of the terms and conditions of such Indebtedness, to the extent such activities are otherwise permissible under the Indenture and the granting of Liens permitted pursuant to the covenant described above under the caption "*—Limitation on Liens*";

(2) rights and obligations arising under the Indenture, the Intercreditor Agreement and the Security Documents;

(3) the ownership of cash and Cash Equivalents;

(4) making Investments in the Senior Secured Notes;

(5) directly related or reasonably incidental to the establishment and/or maintenance of its corporate existence; or

(6) other activities not specifically enumerated above that are not material in nature.

Except in accordance with the covenant described under the caption "*—Merger and Consolidation*," the Issuer:

(1) will not merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation);

(2) will not sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to any Person or group of persons;

(3) will remain a wholly-owned Restricted Subsidiary of the Company; and

(4) will not change its center of main interests (as that term is used in Article 3(1) of The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings) to be in any jurisdiction outside of Luxembourg.

Events of Default

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest on any Senior Secured Note when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Company or any of its Restricted Subsidiaries to comply for 30 days after written notice by the Trustee on behalf of the Holders or by the Holders of 25% in aggregate principal amount of the outstanding Senior Secured Notes with any of the obligations under the covenants described under "*—Change of Control*" above or under the covenants described under "*—Certain Covenants*" above (in each case, other than a failure to purchase Senior Secured Notes which will constitute an Event of Default under clause (2) above);

(4) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of 25% in aggregate principal amount of the outstanding Senior Secured Notes with any other agreement contained in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by either the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by either the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to either the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the date hereof, which default:

    (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and, in each case the aggregate principal amount of any such Indebtedness, together with the aggregate 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;

(6) certain events of bankruptcy, insolvency or court protection of either the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of €20 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(8) any security interest under the Security Documents on any material Collateral shall, at any time, cease to be in full force and effect and constitute a valid and perfected Lien with the priority required by the applicable Security Document (other than in accordance with the terms of the relevant Security Document and the Indenture) for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Security Documents and the Intercreditor Agreement or any such security interest purported to be created thereunder shall be declared invalid or unenforceable or the Issuer, any Guarantor or any Person granting Collateral the subject of any such security interest shall assert in any pleading in any court of competent jurisdiction that any such security interest is invalid or unenforceable and any (but only in the event that such failure to be in full force and effect or such assertion is capable of being cured without imposing any new hardening period, in equity or at law, that such security interest was not otherwise subject immediately prior to such failure or assertion) such failure to be in full force and effect or such assertion shall have continued uncured for a period of 10 days (the "*security default provisions*"); and

(9) any Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture or a Guarantor denies or disaffirms its obligations under its Note Guarantee, other than in accordance with the terms thereof or upon release of the Note Guarantee in accordance with the Indenture.

However, a default under clause (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Indenture notify the Issuer of the default and, with respect to clauses (3), (4), (5) and (7) the Issuer does not cure such default within the time specified in clause (3), (4), (5) or (7), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (6) above) occurs and is continuing, the Trustee by notice to the Company and the Issuer or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Indenture by written notice to the Company, the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Senior Secured Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (5) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest, if any, on the Senior Secured Notes that became due solely because of the acceleration of the Senior Secured Notes, have been cured or waived.

If an Event of Default described in clause (6) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, if any, on all the Senior Secured Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of Senior Secured Notes may not enforce the Indenture or the Senior Secured Notes except as provided in the Indenture, and may not enforce the Security Documents except as provided in the Intercreditor Agreement.

The Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes under the Indenture may waive all past or existing Defaults or Events of Default and rescind any such acceleration with respect to such Senior Secured Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction; except a default:

(a) in the payment of the principal of, premium, if any and Additional Amounts or interest on any Senior Secured Note; or

(b) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of Holders of 90% of the Senior Secured Notes outstanding.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Senior Secured Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Indenture have requested in writing the Trustee to pursue the remedy;

(3) such Holders have offered in writing the Trustee security and/or indemnity and/or prefunding satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security or indemnity and/or prefunding; and

(5) the Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes under the Indenture have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification, security and/or prefunding satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Secured Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which any of them is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Senior Secured Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified, secured and/or prefunded to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity, security and/or prefunding to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Senior Secured Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Senior Secured Notes, only the consent of a majority in aggregate principal amount of the then outstanding Senior Secured Notes of such series shall be required. However, without the

consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of Senior Secured Notes, an amendment, waiver or other modification may not, with respect to any such Senior Secured Notes held by a non-consenting Holder:

(1) reduce the principal amount of such Senior Secured Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any such Senior Secured Note;

(3) reduce the principal of or extend the Stated Maturity of any such Senior Secured Note;

(4) reduce the premium payable upon the redemption of any such Senior Secured Note or change the time at which any such Senior Secured Note may be redeemed, in each case as described above under "*—Optional Redemption*" or "*—Redemption for Taxation Reasons*;"

(5) make any such Senior Secured Note payable in money other than that stated in such Senior Secured Note;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults, impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Secured Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Senior Secured Notes;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release the security interest granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Indenture and the Intercreditor Agreement;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium, interest or Additional Amounts, if any, on the Senior Secured Notes (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);

(10) (other than to implement a transfer or novation in accordance with the last sentence of "*The Proceeds Loan*" above), amend the Proceeds Loan Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision to this "*Description of the Notes*," or reduce the minimum denomination of any Senior Secured Note;

(2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Note Document;

(3) provide for uncertificated Senior Secured Notes in addition to or in place of certificated Senior Secured Notes (provided that the uncertificated Senior Secured Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Senior Secured Notes are described in Section 163(f)(2)(B) of the Code);

(4) add to the covenants or provide for a Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(5) make any change that does not adversely affect the rights of any Holder in any material respect;

(6) at the Issuer's election, comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act, if such qualification is required;

(7) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes;

(8) provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the Covenant described under "*—Certain Covenants—Limitation on Indebtedness*," to add Note Guarantees with respect to the Senior Secured Notes, to add security to or for the benefit of the Senior Secured Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Document) with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking is provided for under the Indenture or the Security Documents;

(9) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee to any Note Document;

(10) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Senior Facilities Agreement, in any property which is required by the Senior Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; provided that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain Covenants—Impairment of Security Interest"* is complied with; or

(11) to add additional parties to the Intercreditor Agreement or any Security Documents to the extent permitted hereunder and thereunder.

The Issuer will, for so long as the Senior Secured Notes are admitted for trading on the Euro MTF Market, to the extent required by its rules, inform the Euro MTF Market of any of the foregoing amendments, supplements and waivers and provide, if necessary, a supplement to this offering memorandum setting forth reasonable details in connection with any such amendments, supplements or waivers.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Senior Secured Notes given in connection with a tender of such Holder's Senior Secured Notes will not be rendered invalid by such tender.

For so long as the Senior Secured 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, the Issuer will inform the Luxembourg Stock Exchange of any of the foregoing amendments, supplements and waivers and publish a notice of any of the foregoing amendments, supplements and waivers on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

Acts by Holders

In determining whether the Holders of the required aggregate principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured Notes owned by the Company or by any Person directly or indirectly controlled or controlled by, or under direct or indirect common control with, the Company will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all its obligations under any series of the Senior Secured Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its obligations under the covenants described under "*—Certain Covenants*" (other than clauses (1) and (2) of "*—Certain Covenants—Merger and Consolidation*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Issuer, the Company and Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" above ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercise its legal defeasance option, payment of the relevant series of Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to any series of the Senior Secured Notes, payment of such Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation*"), (4), (5), (6) (with respect only to the Company, the Issuer and the Company's Significant Subsidiaries), (7), (8) or (9) under "*—Events of Default*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on a series of Senior Secured Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Security Documents and the Intercreditor Agreement, will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Secured Notes, as expressly provided for in the Indenture) as to all outstanding Senior Secured Notes issued thereunder when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Senior Secured Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated by the Trustee for this purpose), money or euro-denominated European Government Obligations or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Senior Secured Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Secured Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused

to be paid all other sums payable under the Indenture; and (4) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, the Company or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer, the Company or any of their Subsidiaries under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

Each of the Issuer and the Company shall deliver written notice to the Trustee within thirty (30) days of becoming aware of the occurrence of a Default or Event of Default. The Trustee shall not be liable for any failure to monitor compliance by the Issuer. Until the Trustee has actual knowledge to the contrary, the Trustee may assume that no Default or Event of Default has occurred. The Trustee will be permitted to engage in other transactions with the Company, the Issuer and their Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than 6 months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification, security and/or prefunding of the Trustee for any loss, liability, taxes and expenses incurred without negligence, wilful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

All notices to Holders of the Senior Secured Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of such Senior Secured Notes, if any, maintained by the Registrar. In addition, for so long as any of the Senior Secured Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, notices with respect to the Senior Secured Notes will be published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange. In addition, for so long as any Senior Secured Notes are represented by Global Notes, all notices to Holders of the Senior Secured Notes will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; provided that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or

other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer for the payment of principal, or premium, if any, on the Senior Secured Notes will be prescribed five years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Senior Secured Notes will be prescribed three years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors under or in connection with the Senior Secured Notes and the Note Guarantees including damages. Any amount received or recovered in a currency other than euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or any Guarantor will only constitute a discharge of such Issuer or Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Senior Secured Note, the Issuer and the Guarantors will indemnify them on a joint and several basis against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint or several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Senior Secured Note or the Trustee to certify in a satisfactory manner (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Secured Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Secured Note, any Note Guarantee or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Enforceability of Judgments

Since the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, if any, Additional Amounts and any redemption price and any purchase price with respect to the Senior Secured Notes or the Note Guarantees, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture, the Senior Secured Notes and the Note Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of (i) the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States and (ii) the courts of England and Wales.

Governing Law

Each of the Indenture, the Senior Secured Notes, and the Note Guarantees and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of the State of New York. The provisions of Articles 86 to 94-8 of the Luxembourg law dated August 10, 1915, on commercial companies, as amended, are excluded.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Additional Assets*" means:

(1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Company, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

"*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 or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the Agreed Security Principles as set out in an annex to the Senior Facilities Agreement as in effect on the Issue Date, as applied reasonably and in good faith by the Company.

"*Applicable Premium*" means the greater of (A) 1% of the principal amount of the applicable Senior Secured Note and (B) the excess (to the extent positive) of: (a) the present value at such redemption date of (i) the redemption price of such Senior Secured Note at April 15, 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "*—Optional Redemption—Fixed Rate Notes*" (excluding accrued and unpaid interest)), plus (ii) all required interest payments due on such Senior Secured Note to but not including such date set forth in clause (i) (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over (b) the outstanding principal amount of such Senior Secured Note, as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee or any paying agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "*—Change of Control*" or the provisions described above under the caption "*—Certain Covenants—Merger and Consolidation*" and not by the provisions of the Asset Disposition covenant. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory or other assets in the ordinary course of business;

(4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries and that is disposed of in each case at fair market value in the ordinary course of business;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation—The Issuer and the Company*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Company) of less than €5 million;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of clause (3) of the first paragraph under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(9) dispositions consisting of granting Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind; and

(17) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"*Board of Directors*" means (1) with respect to any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function; *provided* that the advisory board (*Beirat*) of Takko Fashion GmbH may also act as the "Board of Directors" of the Company for purposes of this definition pursuant to a delegation of powers by such Board of Directors. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Bund Rate*" means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (*Bunds or Bundesanleihen*) with a constant maturity (as officially compiled and published

in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to April 15, 2016; *provided, however*, that if the period from the redemption date to the applicable date set forth above is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to the applicable date set forth above is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, Frankfurt am Main, Germany or London, United Kingdom are authorized or required by law to close; *provided, however*, that for any payments to be made under the Indenture, such day shall also be a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("*TARGET*") payment system is open for the settlement of payments.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS as in effect on the Issue Date. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union as in effect on December 31, 2003 (other than Greece, Ireland and Portugal), Switzerland or Norway, in each case having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization), or any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), in each case having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Senior Facilities Agreement or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €500 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union as in effect on December 31, 2003 (other than Greece,

Ireland and Portugal), Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union as in effect on December 31, 2003 (other than Greece, Ireland and Portugal), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "*Asset Disposition*," the marketable securities portfolio owned by the Company and its Subsidiaries on the Issue Date.

"*Change of Control*" means:

(1) the Company becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders has acquired "beneficial ownership" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company; *provided* that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of the Company becoming a Subsidiary of a Successor Parent and (y) any Voting Stock of which any Permitted Holder is the "beneficial owner" (as so defined) shall not be included in any Voting Stock of which any such person or group is the "beneficial owner" (as so defined);

(2) following the Initial Public Offering of an IPO Entity, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Issuer, the Company, the IPO Entity or any Parent that is a Subsidiary of the IPO Entity (together with any new directors whose election by the majority of such directors on such Board of Directors of the Issuer, the Company, the IPO Entity or such Parent or whose nomination for election by shareholders of the Issuer, the Company, the IPO Entity or such Parent, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Issuer, the Company, the IPO Entity or such Parent then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) ceased for any reason to constitute the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Issuer, the Company, the IPO Entity or such Parent, then in office;

(3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders: or

(4) the adoption of a plan relating to the liquidation or dissolution of the Company or the Issuer,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

"*Close-Out Amount*" means:

(a) in respect of a transaction under a Commodity Hedging Agreement that has, as of the date the calculation is made, been terminated or closed out, the amount, if any, payable by the Company or any

Restricted Subsidiary to the counterparty of such Commodity Hedging Agreement in respect of that termination or close-out as of the date of termination or close-out as calculated in accordance with such Commodity Hedging Agreement; or

(b) in respect of a transaction under a Commodity Hedging Agreement that has, as of the date the calculation is made, not been terminated or closed out, (i) the amount(s) determined as the mark-to-market value(s) for such Commodity Hedging Agreement, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Commodity Hedging Agreements or (ii) if no such quotation is reasonably available for such Commodity Hedging Agreement, the amount, if any, which would be payable by the Company or any Restricted Subsidiary to the counterparty of such Commodity Hedging Agreement in respect of that transaction, if such transaction would be terminated or closed out at the request of the Company or any Restricted Subsidiary party to such Commodity Hedging Agreement on the date on which the calculation is made.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Committed Trade L/C Facility*" means, with respect to any of the Issuer or Guarantors, one or more facilities with commercial banks providing for the issuance of letters of credit, bankers' acceptances or other similar instruments that relate to payables in foreign trade transactions, 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 commercial banks).

"*Committed Trade L/C Facility Amount*" means, with respect to any Committed Trade L/C Facility, the committed amount under such Committed Trade L/C Facility (including all unutilized amounts of such Committed Trade L/C Facility, the aggregate undrawn and unexpired amount of letters of credit or other instruments issued under such Committed Trade L/C Facilities and the aggregate amount of drawings thereunder that have not been reimbursed). The Committed Trade L/C Facility Amount at the Issue Date under the Senior Facilities Agreement is €190 million.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Fixed Charges and items (t), (u), (v), (w), (x), (y) and (z) in clause (1) of the definition of Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization expense;

(5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business); disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by an Officer of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation of Affiliate Transactions*;" and

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Company as special items less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition and only if a corresponding amount would be permitted at the date of determination to be distributed to the Company 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, governmental rules and regulations applicable to such Restricted Subsidiary or its shareholders (other than any restriction specified in sub-clauses (a) through (d) of clause (2) of the definition of "*Consolidated Net Income*").

"*Consolidated Income Taxes*" means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding taxes), trade taxes and franchise taxes of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, without duplication, the sum of:

(1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including (a) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (b) non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments pursuant to IFRS or losses due to ineffectiveness or closing out of Hedging Obligations), (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness, and excluding (t) accretion or accrual of discounted liabilities other than Indebtedness, (u) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (v) any additional interest pursuant to a registration rights agreement with respect to any securities, (w) amortization of deferred financing fees, amortization of original issue discount resulting from the issuance of Indebtedness at less than par, debt issuance costs, commissions, fees and expenses, (x) any expensing of bridge, commitment and other financing fees, (y) interest with respect to Indebtedness of any direct or indirect parent of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS and (z) any interest expense with respect to Subordinated Shareholder Funding); plus

(2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued; less

(3) interest income for such period.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations except to the extent provided in clause (c) of the penultimate paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*").

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided*, *however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Company or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition a "*Sale*") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with

the then applicable IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(2) since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "*Purchase*"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) calculations will be as determined in good faith by a responsible financial or chief accounting officer of the Company (including in respect of synergies and cost savings) and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Senior Facilities Agreement and the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date and (d) restrictions not prohibited by the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*") except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(4) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge or any charges or reserves in respect of any restructuring, redundancy or severance or any gains, expenses, charges, reserves or other costs related to the Transactions (including (i) in relation to expenses relating to consulting or operational improvement initiatives, (ii) expenses associated with the closing out of existing management equity programs and (iii) start-up and transaction costs), in each case in the good faith determination of the Company;

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness and any net gain arising from the acquisition of any securities or extinguishment, under IFRS, of any Indebtedness of such Person;

(8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Company and the Restricted Subsidiaries), as a result of the Transactions or any consummated acquisition, or the amortization or write-off of any amounts thereof;

(10) any goodwill or other intangible asset impairment charge, any amortization or write-off, or any gain or loss arising from a revaluation of assets or any provision in relation thereto;

(11) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;

(12) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies; and

(13) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary.

"*Consolidated Permitted Trade L/C Commitments Ratio*" means, as of any date of determination, the ratio, expressed as a percentage, of (x) the aggregate Committed Trade L/C Facility Amount of all Committed Trade L/C Facilities outstanding at the time of determination to (y) the consolidated net revenues of the Company and its Restricted Subsidiaries for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available.

"*Consolidated Senior Secured Leverage Ratio*" means the Consolidated Leverage Ratio, but calculated by excluding all Indebtedness other than Secured Indebtedness.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

  (a) for the purchase or payment of any such primary obligation; or

  (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, indentures or other arrangements (including the Senior Facilities Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, 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 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 original Senior Facilities Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Deemed Interest Payments*" means the amount of interest payments due on any Floating Rate Notes for which such determination is made, as determined in good faith by the Issuer (and notified to the Paying Agent and the Trustee) as of the relevant date, using an interest rate equal to 7.0% plus the three month forward EURIBOR for euro as reported by Bloomberg at the time of such determination.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*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 mandatorily redeemable for cash or in exchange for Indebtedness 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 Company or a Restricted Subsidiary); or

(3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Senior Secured Notes or (b) the date on which there are no Senior Secured Notes outstanding; *provided*, *however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Equity Offering*" means (x) a sale of Capital Stock of the Company (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company or any of its Restricted Subsidiaries.

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euroclear*" means Euroclear Bank SA/NV, or any successor securities clearing agency.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Company) on the date of such determination.

"*European Government Obligations*" means any security that is (1) a direct obligation of a member of the European Monetary Union that is a member state of the European Union as of December 31, 2003 (other than Greece, Ireland or Portugal) 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.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company. For the avoidance of doubt, the Issue Date Equity Contribution may not be designated as an Excluded Contribution.

"*fair market value*" unless otherwise specified, wherever such term is used in the Indenture or this "*Description of the Notes*" (except as otherwise specifically provided in the Indenture or this "*Description of the Notes*"), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person for the most recent four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available to the Fixed Charges of such Person for such period. In the event that the Company or any Restricted Subsidiary incurs,

assumes, guarantees, redeems, defeases, retires or extinguishes any Indebtedness (other than Indebtedness incurred under any revolving credit facility, unless such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Fixed Charge Coverage Ratio Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, assumption, guarantee, redemption, defeasance, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period.

For purposes of making the computation referred to above, any Investment, acquisitions, dispositions, mergers, consolidations and disposed operations that have been made by the Company or any of its Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged, consolidated, amalgamated or otherwise combined with or into the Company or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed or discontinued operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation or disposed operation had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or chief accounting officer of the Company (including cost savings and synergies). If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed with a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Company may designate.

"*Fixed Charges*" means, with respect to any Person for any period, the sum of:

(1) Consolidated Interest Expense of such Person for such Period; plus

(2) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Preferred Stock of any Restricted Subsidiary during such period; plus

(3) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period; plus

(4) any interest expense on Indebtedness of another person that is guaranteed by such Person or its Restricted Subsidiaries or secured by a Lien on assets of such Person or its Restricted Subsidiaries, but only to the extent such guarantee or Lien is called upon,

determined, in each case, on a consolidated basis in accordance with IFRS.

"*Floating Rate Applicable Premium*" means the greater of (A) 1% of the principal amount of the Floating Rate Notes to be redeemed on a redemption date and (B) with respect to such Floating Rate Notes on such redemption date, the excess (to the extent positive) of:

(1) the present value at such redemption date of (i) 101.0% of the principal amount of such Senior Secured Notes, plus (ii) the Deemed Interest Payments due on such Senior Secured Notes from the

commencement of the then current Interest Period to and including April 15, 2014, computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date (determined for Bunds with a maturity most nearly equal to April 15, 2014) plus 50 basis points; over

(2) the outstanding principal amount of such Senior Secured Notes,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate.

"*Governmental Authority*" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, *however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantor*" means any entity that provides a Note Guarantee.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a "*Hedging Agreement*").

"*Holder*" means each Person in whose name the Senior Secured Notes are registered on the Registrar's books, which shall initially be the respective nominee of Clearstream and Euroclear.

"*IFRS*" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union as in effect on the date of any calculation or determination required hereunder. Except as otherwise set forth in this Indenture, all ratios and calculations based on IFRS contained in this Indenture shall be computed in accordance with IFRS. At any time after the Issue Date, the Company may elect to establish that "IFRS" shall mean IFRS as in effect on the date of such election, provided that any such election, once made, shall be irrevocable. The Company shall give notice of any such election made in accordance with this definition to the Trustee and the Holders.

For the purpose of the covenant described under the caption "*Reports*," "IFRS" shall mean IFRS as in effect from time to time.

"*Immaterial Subsidiary*" means any Restricted Subsidiary that (i) has not guaranteed any other Indebtedness of the Company, the Issuer or any Guarantor and (ii) (A) has Total Assets (as determined in accordance with GAAP) of less than 5% of the Company's consolidated Total Assets and (B) has Consolidated EBITDA of less than 5% of the Company's Consolidated EBITDA (in each case, measured (i) as of the end of or for the four quarters ended most recently for which internal financial statements are available, (ii) on a pro forma basis giving effect to any acquisitions or depositions of companies, division or lines of business since such balance sheet date or the start of such four quarter period, as applicable and (iii) on the basis of management accounts and excluding intercompany balances, investments in subsidiaries and joint ventures and intangible assets).

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations that are not themselves Indebtedness and, in each case, are satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided*, *however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Company) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "Indebtedness" shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, any prepayments of deposits received from clients or customers in the ordinary course of business, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business;

(ii) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or

(iii) 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.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; provided, however, that such firm or appraiser is not an Affiliate of the Company.

"*Initial Investors*" means Apax Partners LLP and any funds or partnerships managed or advised by Apax Partners LLP or an Affiliate thereof, and, solely in their capacity as such, any limited partner of any such partnership or fund.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Company or any Parent or any successor of the Company or any Parent (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated the Issue Date, among the lenders and agent under the Senior Facilities Agreement as well as certain hedging counterparties and as further amended from time to time and to which the Trustee will accede on the Issue Date.

"*Interest Rate Agreement*" means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "*Certain Covenants—Limitation on Restricted Payments*."

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*:"

(1) "Investment" will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors or a member of senior management of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so redesignated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or a member of senior management of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade*" means (i) BBB- or higher by S&P; (ii) Baa3 or higher by Moody's, or (iii) the equivalent of such ratings by S&P or Moody's, or of another Nationally Recognized Statistical Ratings Organization.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union as in effect on December 31, 2003 (other than Greece, Ireland or Portugal), or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur in respect of a series of Senior Secured Notes when such series of the Senior Secured Notes receives both of the following:

(1) a rating of "BBB-" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*Issue Date*" means April 5, 2013.

"*Issue Date Equity Contribution*" means the cash contribution in an aggregate net cash amount of €100.0 million made by Salsa Retail Holding MidCo S.à r.l. after the date of this Offering Memorandum and on or before the Issue Date against the issuance by the Company of Preferred Equity Certificates having substantially the same terms as the Preferred Equity Certificates previously issued by the Company (which contribution may not be designated as an Excluded Contribution).

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Company or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business;

(2) in respect of moving related expenses reasonably incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding €2.5 million in the aggregate outstanding at any time.

"*Management Investors*" means the officers, directors, employees and other members of the management of or consultants to any Parent, the Company or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company, any Restricted Subsidiary or any Parent.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant

dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or 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, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by applicable law are required to be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Note Documents*" means the Senior Secured Notes (including Additional Notes), the Note Guarantees, the Indenture, the Security Documents and the Intercreditor Agreement.

"*Officer*" means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"*Parent*" means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or

regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Company and its Subsidiaries in an amount not to exceed €0.5 million in any fiscal year; and

(7) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

(x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary,

(y) 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

(z) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor (other than Indebtedness of such Issuer or Guarantor pursuant to the Senior Facilities Agreement) if such Indebtedness ranks equally in right of payment to the Senior Secured Notes or Note Guarantees of the Senior Secured Notes which, in each case, is secured by Liens on assets of the Company.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Secured Note on behalf of the Issuer.

"*PECs*" means the Preferred Equity Certificates and Yield Free Preferred Equity Certificates with an aggregate par value of €258 million issued by the Company pursuant to Instruments Providing for the Terms and Conditions of Preferred Equity Certificates or Yield Free Preferred Equity Certificates (as applicable) dated February 8, 2011, together with the Preferred Equity Certificates issued by the Company as of October 31, 2011 with an aggregate par value of €10 million and the Preferred Equity Certificates issued by the Company as of January 27, 2012 with an aggregate par value of €50 million, and the Issue Date Equity Contribution, all of which are outstanding at the Issue Date, and any pay-in-kind interest thereon capitalized in the form of additional Preferred Equity Certificates having the same terms as such Preferred Equity Certificates outstanding at the Issue Date.

"*Permitted Asset Swap*" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Company or any of its Restricted Subsidiaries and another Person; provided that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*"

"*Permitted Collateral Liens*" means (a) Liens on the Collateral (i) arising by operation of law that are described in one or more of clauses of the definition of "Permitted Liens" or (ii) that are Liens granted to cash management banks securing cash management obligations, (b) Liens on the Collateral to secure Indebtedness or other obligations of the Company or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be

secured and specified in this definition of Permitted Collateral Liens), (4)(a) and (c) (if the original Indebtedness was so secured), (5)(i) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(ii), (6) (to the extent such Indebtedness is Indebtedness under (x) Permitted Commodity Hedging Agreements with a term of not more than eighteen months, (y) Currency Agreements or (z) Interest Agreements), (7) (covering only the assets acquired or financed with such Indebtedness) or (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect of Indebtedness incurred, or which would have been incurred, under any such clauses, and Permitted Trade L/C Liens; and (c) Liens on the Collateral securing Indebtedness incurred under the first paragraph of "*—Certain Covenants—Limitation on Indebtedness*;" *provided* that, in the case of this clause (c), after giving *pro forma* effect to such incurrence on that date, the Consolidated Senior Secured Leverage Ratio is less than 3.25:1.0; *provided further* that only Liens securing Indebtedness or obligations incurred pursuant to clause (1) or clause (6) (to the extent such Indebtedness is Indebtedness (x) under Interest Rate Agreements that relate to the Floating Rate Notes or other floating rate securities that are *pari passu* with the Floating Rate Notes or incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or (y) under Currency Agreements with a term of not more than two years) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" and Permitted Trade L/C Liens shall be permitted to have priority to the Senior Secured Notes in any respect under the Intercreditor Agreement or Additional Intercreditor Agreement, as the case may be; and *provided further* that each of the parties to Indebtedness secured by Liens pursuant to clauses (a)(ii), (b) or (c) hereof or their agent, representative or trustee will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

"*Permitted Committed Trade L/C Facilities*" means any Committed Trade L/C Facility, the Committed Trade L/C Facility Amount of which, at the date of commitment under such Committed Trade L/C Facilities, did not, together with all other Committed Trade L/C Facility Amounts then outstanding, exceed an aggregate amount equal to the sum of:

(i) the result of multiplying (A) a ratio equal to 3.25:1.0 less the Consolidated Senior Secured Leverage Ratio at the time of such determination with (B) the Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of commitment under such Committed Trade L/C Facility for which internal consolidated financial statements of the Company are available (subject to the same adjustments as for the purposes of calculating Consolidated Leverage on such determination date) and

(ii) €200 million;

provided that such amount shall not exceed the lesser of

(x) €275 million and

(y) an amount such that the Consolidated Permitted Trade L/C Commitments Ratio for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available is less than 18.1%, determined, in each case, on a *pro forma* basis as if the commitment such Committed Trade L/C Facility had occurred at the beginning of such four-quarter period; and

provided further that notwithstanding the foregoing, the maximum amount of Permitted Committed Trade L/C Facilities will at no times be less than €200 million in the aggregate.

"*Permitted Commodity Hedging Agreements*" means Commodity Hedging Agreements for *bona fide* hedging (and not for speculative) purposes in an aggregate Close-Out Amount outstanding not to exceed €25 million.

"*Permitted Holders*" means, collectively, (1) the Initial Investors, (2) Senior Management and (3) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Company, acting in such capacity.

"*Permitted Investment*" means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in the Senior Secured Notes;

(6) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(7) Management Advances;

(8) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(9) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;"

(10) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(11) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "—Certain Covenants—Limitation on Indebtedness;"

(12) Investments, taken together with all other Investments made pursuant to this clause (12) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed €40 million in the aggregate; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(13) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*;"

(14) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Capital Stock of any Parent as consideration;

(15) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture; and

(17) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business.

"*Permitted Liens*" means, with respect to any Person:

(1) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in

connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested taxes or import or customs duties 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, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(3) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; provided that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(4) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business;

(5) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(6) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;

(7) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(8) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(9) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(10) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(11) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(12) Liens (i) existing on the Issue Date, excluding Liens securing the Senior Facilities Agreement and the Senior Secured Notes and (ii) on real estate located in Germany securing the Senior Facilities Agreement;

(13) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided*,

however, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); provided, further, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(14) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of the Company or such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;

(15) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(16) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(17) (a) mortgages, liens, security 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 Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(18) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(19) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(20) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(21) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(22) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(23) Liens with respect to obligations which do not exceed €20 million at any one time outstanding (less any amounts outstanding under clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" which are secured by a Permitted Collateral Lien;

(24) Permitted Collateral Liens;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary; and

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party.

"*Permitted Trade L/C Liens*" means Liens on Collateral to secure Trade L/C Obligations Incurred from time to time under Permitted Committed Trade L/C Facilities.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Proceeds Loan*" means the intercompany loan granted on or about the Issue Date under the Proceeds Loan Agreement.

"*Proceeds Loan Agreement*" means the proceeds loan agreement dated on or about the issue date between the Issuer as lender and the Company as borrower.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (i) a public offering registered under the Securities Act or (ii) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A under the Securities Act or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering that is a Public Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the IPO Entity has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Company as of the Issue Date pursuant to such Equity Offering.

"*Public Offering*" means any underwritten offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*," "*refinanced*" and "*refinancing*" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the Senior Secured Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) (i) then outstanding or (ii) in the case of Indebtedness of the type described in clause (7) of the second paragraph of "*—Certain Covenants—Limitation on Indebtedness*," outstanding on the Issue Date, in each case of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith);

(3) the Refinancing Indebtedness is not senior in right of payment to the Indebtedness that is being refinanced unless such new Indebtedness is subordinated in right of payment to the Senior Secured Notes in which case it may be senior in right to the payment of the Indebtedness being refinanced provided that it remains subordinated in right of payment to the Senior Secured Notes,

provided, *however*, that Refinancing Indebtedness shall not include (x) Indebtedness of a Subsidiary of the Company that is not the Issuer or a Guarantor that refinances Indebtedness of the Issuer or a Guarantor or (y) Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

"*Related Person*" with respect to any Permitted Holder means:

(1) any controlling equityholder or Subsidiary of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) in the case of the Initial Investors any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"*Related Taxes*" means

(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 Parent), required to be paid (provided such Taxes are in fact paid) by any Parent 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 Company or any of the Company's Subsidiaries);

    (b) issuing or holding Subordinated Shareholder Funding;

    (c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

    (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

    (e) having made any payment in respect to any of the items for which the Company is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company 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 Company and its Subsidiaries.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary, and includes the Issuer.

"*Reversion Date*" means, after the Senior Secured Notes have achieved Investment Grade Status, the date, if any, that the Senior Secured Notes shall cease to have such Investment Grade Status.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission or any successor thereto.

"*Security Documents*" means each collateral pledge agreement, security assignment agreement or other document under which collateral is pledged to secure the Senior Secured Notes.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien on a basis *pari passu* with or senior to the security in favor of the Senior Secured Notes.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Senior Facilities Agreement*" means the senior facilities agreement dated on or about the Issue Date among Salsa Retail Holding DebtCo 1 S.à r.l., as the parent, Deutsche Bank AG, London Branch, Goldman Sachs International and UniCredit Bank AG, as arrangers, UniCredit Luxembourg S.A., as facility agent, UniCredit Luxembourg S.A., as security agent and UniCredit Bank AG, as original LC issuing bank, as amended, supplemented, replaced, refinanced or otherwise modified from time to time.

"*Senior Management*" means the officers, directors, and other members of senior management of the Company or any Subsidiary, and any trust, vehicle or company through which such persons invest.

"Senior Notes" means any senior notes defined as " Senior Notes" under the Intercreditor Agreement.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 5% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 5% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 5% of such income of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by the Company or any of its Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; provided that the Consolidated Leverage Ratio would have been less than 3.75 to 1.0, immediately prior to the occurrence of such event and immediately thereafter. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"*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 Senior Secured Notes pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Company by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the first anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the first anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Secured Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

For the avoidance of doubt, all PECs outstanding on the Issue Date constitute Subordinated Shareholder Funding.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which:

    (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

    (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in

    (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any member state of the European Union as in effect on December 31, 2003 (other than

Greece, Ireland or Portugal), (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state, or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(a) any lender under the Senior Facilities Agreement,

(b) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above, or

(c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any member state of the European Union as in effect on December 31, 2003 (other than Greece, Ireland and Portugal) or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union as in effect on December 31, 2003 (other than Greece, Ireland and Portugal), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"*Total Assets*" means the consolidated total assets of the Company and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

"*Trade L/C Obligations*" means all reimbursement obligations of a Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have not been reimbursed) that relate to payables in foreign trade transactions and, when Incurred, do not constitute Indebtedness.

"*Transactions*" means:

(1) the entry into the Senior Facilities Agreement;

(2) the offering of the Senior Secured Notes and the application of the proceeds thereof; and

(3) all other transactions related to the foregoing (including the payment of any fees and expenses related to any of the foregoing).

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company (other than the Issuer) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least €1.00 of additional Indebtedness under paragraph (a) of the "*Limitation on Indebtedness*" covenant or (y) the Fixed Charge Coverage Ratio would not be worse than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly-Owned Subsidiary*" means a Restricted Subsidiary of the Company, 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 Company or another Wholly-Owned Subsidiary) is owned by the Company or another Wholly-Owned Subsidiary.

"*Working Capital Intercompany Loan*" means any loan to or by the Company or any of its Restricted Subsidiaries to or from the Company or any of its Restricted Subsidiaries from time to time (i) for purposes of consolidated cash and tax management and working capital management and (ii) for a duration of less than one year.

TAXATION

Certain United States Federal Income Tax Consequences

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that any discussion of tax matters set forth in this offering memorandum was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax-related penalties under federal, state or local tax law. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Notes as of the date hereof. This summary deals only with Notes that are held as capital assets by a U.S. holder (as defined below) who acquires our Notes upon original issuance at their initial offering price.

A "U.S. holder" means a beneficial owner of Notes that is for U.S. federal income tax purposes any of the following:

- an individual citizen or resident of the U.S.;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state 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 it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury Regulations ("Treasury Regulations") to be treated as a U.S. person.

This summary is based upon provisions of the United States Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxes or all tax considerations that may be relevant to U.S. holders in light of their personal circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, investors in partnerships or other pass-through entities for U.S. income tax purposes, tax-exempt entities or insurance companies;
- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to U.S. holders whose "functional currency" is not the U.S. dollar;
- alternative minimum tax consequences, if any; or
- any state, local or foreign tax consequences.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds the Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Notes, you should consult your tax advisors.

The Notes will not be issued with original issue discount that is equal to or greater than a statutory de minimis amount for U.S. federal income tax purposes.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Payments of Interest

Interest on a Note generally will be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes, and will include payments of interest on the Note and any Luxembourg or German withholding taxes imposed on such payments (and any additional amounts paid in respect of such taxes withheld). You may be entitled to deduct or credit such taxes, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including any additional amounts) on a Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. You generally will be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

If you use the cash basis method of accounting for U.S. federal income tax purposes, you will be required to include in income the U.S. dollar value of an interest payment received, determined by translating the euros received at the "spot rate" on the date such payment is received regardless of whether the payment is in fact converted into U.S. dollars. You will not recognize exchange gain or loss with respect to the receipt of such payment.

If you use the accrual method of accounting for U.S. federal income tax purposes, you may determine the amount of income recognized with respect to such interest in accordance with either of two methods. Under the first method, you will be required to include in income for each taxable year the U.S. dollar value of the interest that has accrued during such year, determined by translating such interest at the average rate of exchange for the period or periods during which such interest accrued or, in the case of an accrual period that spans two taxable years of a U.S. holder, the part of the period within the taxable year. Under the second method, you may elect to translate interest income at the spot rate on:

- the last day of the accrual period,
- the last day of the taxable year if the accrual period straddles your taxable year, or
- the date the interest payment is received if such date is within five business days of the end of the accrual period.

This election will apply to all debt obligations you hold from year to year and cannot be changed without the consent of the United States Internal Revenue Service ("IRS"). You should consult your own tax advisor as to the availability of making the above election.

In addition, upon receipt of an interest payment on a Note (including, upon the sale of a Note, the receipt of proceeds which include amounts attributable to accrued interest previously included in income), you will recognize exchange gain or loss in an amount equal to the difference between the U.S. dollar value of such payment (determined by translating the euros received at the "spot rate" on the date such payment is received) and the U.S. dollar value of the interest income you previously included in income with respect to such payment. Such exchange gain or loss generally will be treated as U.S. source ordinary income or loss.

Sale, Exchange, Retirement and Other Disposition of Notes

Upon the sale, exchange, retirement or other disposition of a Note, you generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less any amounts attributable to accrued but unpaid interest that you did not previously include in income, which will be taxable as interest income as described above in "—Payments of Interest," and exchange gain or loss on such accrued but unpaid interest) and your adjusted tax basis in the Note. Your adjusted tax basis in a Note, in general, will be your U.S. dollar cost for that Note reduced by any payments other than payments of interest. If you purchased your Note with euros, your cost generally will be the U.S. dollar value of the purchase price on the date of such purchase (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the purchase, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes). If your Note is sold, exchanged, retired or otherwise disposed of for an amount in euros, the amount realized generally will be the U.S. dollar value of such euro amount received on the date of sale, exchange, retirement or other disposition (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement date of the sale, exchange, retirement or disposition, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes). Such election must be applied consistently and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, your gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other disposition, you have held the Note for more than one year. Capital gains of individuals derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realized by you on the sale, exchange, retirement or other disposition of a Note generally would be treated as U.S. source gain or loss.

A portion of your gain or loss with respect to the principal amount of a Note may be treated as exchange gain or loss. Exchange gain or loss will be treated as ordinary income or loss and generally will be U.S. source gain or loss. For these purposes, the principal amount of the Note is your purchase price for the Note calculated in euros on the date of purchase, and the amount of exchange gain or loss recognized is equal to the difference between (i) the U.S. dollar value of the principal amount determined on the date you sell, exchange, retire or otherwise dispose of the Note and (ii) the U.S. dollar value of the principal amount determined on the date you purchased the Note (or, in the case of a cash basis or electing accrual basis taxpayer, the settlement dates of such purchase and taxable disposition, if the Note is treated as traded on an established securities market for U.S. federal income tax purposes). The amount of exchange gain or loss will be limited to the amount of overall gain or loss realized on the disposition of the Note.

Exchange Gain or Loss with Respect to Euros

Your tax basis in the euros received as interest on a Note or on the sale, exchange, retirement or other disposition of a Note will be the U.S. dollar value thereof at the spot rate in effect on the date the euros are received. Upon the sale, exchange retirement or other disposition of a Note, if the Notes are traded on an established securities market and you are a cash basis taxpayer (or an accrual basis taxpayer that makes an appropriate election) will have a basis in the euros received equal to the U.S. dollar value thereof at the spot rate in effect on the settlement date of such sale, exchange, retirement or disposition (that is, the same date that the euros are valued for purposes of determining the amount realized on the Note). In all other cases, since the amount realized is based on the spot rate in effect on the date of the sale, exchange or retirement of the Note (including the trade date if the Notes are traded on an established securities market), (i) you will realize foreign exchange gain or loss to the extent the U.S. dollar value of the euros received (based on the spot rate in effect on the date of receipt) differs from the U.S. dollar value of the euros on the date of the sale, exchange, or retirement of the Note, and (ii) your basis in the euros received will equal the U.S. dollar value of the euros, based on the spot rate in effect on the date of receipt. Any gain or loss recognized by you on a sale, exchange, retirement or other disposition of the euros will be ordinary income or loss and generally will be U.S. source gain or loss.

A U.S. holder who purchases a Note with previously owned euros will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. holder's tax basis in the euros and the U.S. dollar fair market value of the Note on the date of purchase.

Reportable Transactions

Treasury Regulations meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency 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 where euros are received in respect of such Note to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of a threshold amount. You should consult with your own tax advisor to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Backup Withholding and Information Reporting

Generally, information reporting requirements may apply to payments of principal and interest including the proceeds from the sale of, a Note, unless you are an exempt recipient. Additionally, if you fail to provide your accurate taxpayer identification number or certification of exempt status or, in the case of interest payments, fail either to report in full dividend and interest income or to make certain certifications, you may be subject to backup withholding. U.S. holders who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Certain U.S. holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in the Notes. You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the Notes.

U.S. holders should consult their own tax advisors regarding any filing or reporting requirements that may apply to their purchase, ownership or disposition of the Notes, including reporting that may be required if they have significant losses with respect to the Notes.

European Union Directive on the Taxation of Savings Income

Under European Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income (the "Savings Directive"), each Member State of the EU is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the Savings Directive) paid by a paying agent (within the meaning of the Savings Directive) to or secured by such a person for the benefit of, an individual beneficial owner who is a resident, or to certain limited types of entities called residual entities (within the meaning of the Savings Directive) established in that other Member State.

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments (within the meaning of the Savings Directive) to (or under certain circumstances securing such payments for the benefit of) individuals or residual entities (within the meaning of the Savings Directive). In the case at hand, (i) the Issuer or (ii) the principal paying agent or (iii) Euroclear and Clearstream or (iv) Euroclear's and Clearstream's common depositary or (v) another entity may be considered paying agents within the meaning of the Savings Directive depending on (a) the legal status of (ii), (iii) and (iv) and (b) the modalities of the payments made to the Noteholders. However, for a transitional period, Austria, Belgium and Luxembourg (unless during such period they elect otherwise) are instead permitted to apply withholding systems in relation to such payments. Under such systems, tax will be deducted at the rate of 35 percent (as of July 1, 2011) unless the recipient of the interest payment elects instead for an exchange of information procedure. As from January 1, 2010, Belgium has elected to switch from the withholding tax system to the exchange of information system.

Such transitional period will normally end at the end of the first full financial year following the later of (i) the date of entry into force of an agreement between the EU, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on April 18, 2002 (the "OECD Model Agreement") with respect to interest payments within the meaning of the Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable under the Savings Directive and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive. A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures with effect since July 1, 2005 (either provision of information or transitional withholding), including measures in relation to payments made by a paying agent established within such countries or territories to, or collected by such a paying agent for, an individual beneficial owner who is a resident or a residual entity established in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories, including measures in relation to payments made by a person in a Member State to an individual beneficial owner who is a resident or a residual entity established in one of those territories.

On November 13, 2008, the European Commission published a proposal for amendments to the Savings Directive. The proposal included a number of suggested changes which, if implemented, may amend or broaden the scope of the rules described above. The European Parliament approved an amended version of this proposal on April 24, 2009. Investors who are in any doubt as to their position should consult their professional advisers.

Investors who are individuals should note that the Issuer will not pay additional amounts as described in "Description of the Notes—Withholding Taxes" in respect of any withholding tax imposed as a result of the EU Savings Directive.

German Tax Considerations

The following section is a general discussion of certain German tax consequences resulting from the investment in the Notes. This discussion does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser of Notes but is of a general nature only and neither intended as, nor to be understood as, legal or tax advice. This summary is based on the laws of Germany in force as at the date of this offering memorandum, all of which are subject to change, including changes in effective dates or possibly differing interpretations. Although any information given hereafter reflects the opinion of the Issuer, it must not be misunderstood as a representation or guarantee, and courts or other relevant authorities may come to different interpretations of the applicable laws. Further, the information given hereafter is not intended as a sole basis for an investment in the Notes, and the individual tax position of the investor should always be investigated.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes and the receipt of interest thereon, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents or citizens.

To the extent the following information describes the taxation in the case of a disposal of the Notes, such description applies accordingly to cases of a redemption, repayment or assignment of the Notes as well as a transfer of Notes into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*).

Taxation of German Resident Noteholders

German tax residents are persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany).

Notes held as non-business (private) assets (Privatvermögen)

For German resident private investors holding the Notes as private assets (and not as business assets), interest payments on the Notes and gains from the sale or redemption of the Notes qualify as investment income pursuant to Sec. 20 Income Tax Act and are basically subject to the flat income tax (*Abgeltungssteuer*) at a rate of 25% (plus 5.5% solidarity surcharge thereon, resulting in a total tax charge of 26.375%, and, if applicable, church tax). Individuals who are subject to church tax may apply in writing for this tax to be withheld as a surcharge to the withholding tax. Individuals subject to church tax but declining to apply have to include their savings income in their tax return and will then be assessed to church tax. For German credit institutions an electronic information system as regards church withholding tax will presumably be introduced as of 2014, with the effect, that a written application for church withholding tax is no longer necessary. Accordingly, the obligation to include savings income in the tax return for church tax purposes would no longer apply. If interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to income tax. The same applies to proceeds from the redemption of interest claims if the Note is disposed of separately. The deduction of related expenses for tax purposes is not possible. However, the total investment income of an individual will be decreased by a lump sum deduction (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly). Losses resulting from the sale or redemption of the Notes can only be offset against other investment income. In the event that a set-off is not possible in the assessment period in which the losses have been realized, such losses can be carried forward into future assessment periods and can be offset against investment income generated in future assessment periods; a loss carry back is not possible.

Capital gains and losses are determined by taking the difference between the sales/redemption price (after the deduction of expenses incurred directly in connection with the sale/redemption) and the acquisition price of the Notes.

Withholding Tax

Interest payments on the Notes are subject to German withholding tax provided that the Notes are held in the custodial account with a German branch of a German resident or non-German resident credit institution, financial services institution, securities trading company or securities trading bank (the "Disbursing Agent" —*inländische Zahlstelle*). The Disbursing Agent withholds tax at a rate of 25% (plus 5.5% solidarity surcharge thereon and, if applicable, church tax) from the gross interest payment to be made by the Disbursing Agent.

In general, no withholding tax will be levied if the holder is an individual (i) whose Notes do not form part of the property of a trade or business and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Notes together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. The maximum exemption amount that may be shown on the exemption certificate is an amount equal to the lump sum deduction mentioned above. Similarly, no withholding tax will be deducted if the holder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

For private investors, the withholding tax regime should also apply to any gains from the sale or redemption of the Notes held in custody with the Disbursing Agent. The tax base is the difference between sales/redemption proceeds after the deduction of expenses directly connected to the sale/redemption and the acquisition costs for the Notes, if the Notes were held in custody by such institution since their acquisition. If the custody account has changed since the acquisition of the Notes and the relevant acquisition data (*Anschaffungsdaten*) has not been evidenced to the satisfaction of the Disbursing Agent, the withholding tax is imposed on a lump sum amount equal to 30% of the proceeds arising from the sale or redemption of the Notes.

The exemption from withholding tax described above (i) in the amount of the lump sum deduction if a withholding exemption certificate, or (ii) if a certificate of non-assessment can be provided, applies also in case of capital gains derived from the Notes.

For private investors the withholding tax is definitive. Private investors having a lower personal income tax rate than the withholding tax rate may, upon application, include the capital investment income in their personal income tax return to achieve a lower tax rate; amounts overwithheld are generally refunded (or credited). Income not subject to a definitive withholding tax must be included into the personal income tax return and the flat income tax of 25% plus solidarity surcharge and church tax, if applicable, be collected by way of assessment.

Notes held as business assets (Betriebsvermögen)

For investors holding the Notes as business assets, interest payments (if any) under the Notes and gains and losses from the investment in the Notes are subject to the corporate income tax (in case of an incorporated investor) or income tax in each case plus solidarity surcharge at the level of the investor with the individual tax rate of the respective investor. Such income has also to be considered for trade tax purposes, if the Notes form part of the property of a German trade or business. In case the income of the investor is determined based on accrual accounting, interest and capital gains may be taxable before actual payments are received.

Any withholding tax withheld by the Disbursing Agent is credited against the investor's personal (corporate) income tax liability (and solidarity surcharge) in the course of the tax assessment or will be refunded. For German resident corporate investors (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 authorities) and, after notifying the Disbursing Agent about the allocation of the Notes to a business in Germany, other business investors, no withholding tax should be levied on gains resulting from the sale or redemption of the Notes (that is, for these investors only interest payments are subject to withholding tax).

Taxation of Non-German Resident Noteholders

Interest and capital gains should not be subject to German taxation in the case of non-resident investors, *i.e.* persons having neither their residence nor their habitual abode nor legal domicile nor place of effective management in Germany. Therefore, investors not being tax resident in Germany should basically not be subject to German withholding tax on interest payments on the Notes and gains resulting from the sale or redemption of the Notes even if the Notes are held in custody with a Disbursing Agent. Exceptions may apply if *inter alia*, the Notes form part of the business assets of a permanent establishment maintained in Germany, or if the Notes are held by a German representative of the investor, or if the Notes are secured by German domestic real estate or

real estate-like rights or German registered vessels (unless the Notes are registered in a public registry, have been issued in a global note in terms of section 9a of the German Securities Deposit Act (*Depotgesetz*) or qualify as partial debentures (*Teilschuldverschreibungen*)) or in case the income qualifies for other reasons as taxable German source income (such as income from the letting and leasing of property). In these cases the taxation described under "—*Notes held as business assets*" applies and the Noteholder may be obliged to file a German tax return.

Inheritance and Gift Tax

The receipt of the Notes in case of succession upon death, or by way of a gift among living persons is subject to German inheritance and/or gift tax if the deceased, donor and/or the recipient is a resident in Germany. German inheritance and gift tax is also triggered if neither the deceased, nor the donor, nor the recipient of the Notes, are residents in Germany should the Notes be attributable to German business activities for which a German permanent establishment is maintained or a permanent representative is appointed in Germany. In specific situations, German expatriates that are residents of Germany for tax purposes may be subject to inheritance and gift tax. However, double taxation treaties may provide for exceptions to the domestic inheritance and gift tax regulations.

Other Taxes

No stamp, issue, registration or similar direct or indirect taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. As at the date of the offering memorandum, net assets tax is not levied in Germany. The European Commission published a detailed proposal for an EU Financial Transaction Tax, which shall not apply prior to 2014.

EU Savings Tax Directive

Concerning the EC Council Directive 2003/48/EC on the taxation of savings income, please refer to the description provided above. By legislative regulations dated January 26, 2004, the Federal Government enacted provisions implementing the Directive into German law. These provisions apply from July 1, 2005.

Luxembourg Tax Considerations

The following general summary of Luxembourg tax considerations is based upon the tax laws of Luxembourg as in effect on the date of this offering memorandum and is subject to any change that may come into effect after that date. The below summary purports to be a description of certain material Luxembourg tax consequences with respect to the Notes and does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any prospective investor and may not include tax considerations that arise from rules of general application or that are generally assumed to be known by the holders of the Notes (the "Noteholders").

It is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers of Notes whether or not Luxembourg tax resident are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes and the receipt of interest thereon, including the effect of any state or local taxes, under the tax laws of Luxembourg and each country of which they are residents or citizens.

Please be aware that the residence concept used below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate Noteholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual tax payers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg tax residency of the Noteholders

Noteholders will not become residents, or deemed to be residents, in Luxembourg by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Note.

Withholding Tax

Non Luxembourg Resident Noteholders

Under Luxembourg tax law currently in effect and subject to the laws of June 21, 2005 implementing the Savings Directive and several agreements concluded between Luxembourg and certain dependent and associated territories of the EU (the "June 2005 Laws") there is no Luxembourg withholding tax on payments of a fixed/floating rate of interest (including accrued but unpaid interest). Subject to the June 2005 Laws, there is also no Luxembourg withholding tax upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Under the June 2005 Laws a Luxembourg based paying agent is required as of July 1, 2005, to withhold tax (the "Savings WHT") on interest (including interest accrued or capitalized at the exchange, sale, refund or redemption of a debt claim) paid by it to (or secured for the benefit of) an individual resident in another Member State or a residual entity (a "Residual Entity") in the sense of article 4.2. of the Savings Directive (i.e. an entity without legal personality (it is noted that despite their legal personality, a Finnish *avoin yhtiö* and *kommandiittiyhtiö / öppet bolag* and *kommanditbolag* and a Swedish *handelsbolag* and *kommanditbolag* are treated as not having such legal personality for the purpose of this provision) and whose profits are not taxed under the general arrangements for business taxation and that is not, or has not opted to be considered as a UCITS recognized in accordance with Council Directive 85/611/EEC), resident or established in another Member State, unless the beneficiary of such interest payments opts for the procedure of exchange of information or for the tax certificate procedure. The same regime may apply to payments made to individuals or Residual Entities residing or established in any of the following dependent and associated territories of the EU: Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat, Curaçao, Bonaire, Saint-Eustache and Saba and the (Dutch part) of Saint Martin.

The withholding tax rate is 35% as of July 1, 2011. The withholding tax system under the June 2005 Laws will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries (for more information, see "—European Union Directive on the Taxation of Savings Income" above).

Luxembourg Resident Holders of Notes

Luxembourg Resident Individuals

Under Luxembourg general tax laws currently in force and subject to the law of December 23, 2005 as amended (the "December 2005 Law"), there is no withholding tax on payments of principal, premium or fixed/floating interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident Noteholders.

Under the December 2005 Law, a 10% withholding tax (the "10% WHT") is levied since January 1, 2006 on interest (within the meaning of the December 2005 Law) paid or secured by a paying agent established in Luxembourg (within the meaning of the December 2005 Law) to or for the benefit of a Luxembourg resident individual or a Residual Entity established in another EU Member State or in one of the dependant and associated territories of certain EU Member States listed in "—Non Luxembourg Resident Holders" above (to the extent Luxembourg resident individuals have an interest in such Residual Entity—the December 2005 Law applies the same concept of Residual Entity as the Savings Directive and the June 2005 Laws). The 10% WHT also applies on accrued interest received upon disposal, redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, a Luxembourg resident individual who acts in the course of the management of his/her private wealth and who is the beneficial owner of an interest payment made by a paying agent established outside Luxembourg in a Member State of the EU or of the EEA or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Savings Directive, may also, in accordance with the December 2005 Law,

opt for a final 10% levy (the "10% Levy"). In such case, the 10% Levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 10% Levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year.

Luxembourg Resident Undertakings with a Collective Character

Fixed/floating interest paid to Noteholders which are not individual or Residual Entities will not be subject to any withholding tax.

Taxation of the Noteholders

Taxation of Luxembourg residents

Luxembourg resident individuals

A Luxembourg resident individual, holding Notes in the course of the management of his/her private wealth, is subject to Luxembourg ordinary income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if the 10% WHT or the 10% Levy has been applied.

Under Luxembourg domestic tax law, gains (or portions thereof) realized upon the sale, disposal or redemption of the Notes by a Luxembourg resident individual Noteholder, who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg ordinary income tax if such gains (or portions thereof) are considered interest payments within the meaning of the December 2005 Law and are consequently subject to the 10% WHT or the 10% Levy. If such gains (or portions thereof) are not considered interest payments, they are not subject to Luxembourg ordinary income tax if (i) the sale or disposal took place at least six months after the acquisition of the Notes and (ii) the Notes do not constitute zero coupon notes or issue discount notes. A gain (or a portion thereof) realized by a Luxembourg resident individual who acts in the course of the management of his/her private wealth upon the sale of zero coupon notes or issue discount notes (at maturity or before maturity) is subject to Luxembourg ordinary income tax if such gain (or a portion thereof) is not considered interest payment within the meaning of the December 2005 Law and is consequently not subject to the 10% WHT or the 10% Levy.

Without prejudice to what is stated above on the 10% WHT, a Luxembourg resident individual, who acts in the course of the management of a professional or business undertaking to which the Notes are attributable, has to include interest and gains realized on the sale or disposal of the Notes in his/her taxable income subject to progressive personal income tax rates for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg resident companies

A Luxembourg resident company (*société de capitaux*) must include interest and gains realized on the sale or disposal of the Notes in its taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg residents benefiting from a special tax regime

Luxembourg residents who benefit from a special tax regime, such as, for example, (i) undertakings for collective investment subject to the law of December 17, 2010 (amending the law of December 20, 2002), (ii) specialized investment funds subject to the law of February 13, 2007 (as amended) or (iii) family wealth management companies subject to the law of May 11, 2007 (as amended), are exempt from income tax in Luxembourg and thus income derived from the Notes, as well as gains realized thereon, are not subject to Luxembourg income taxes.

Taxation of Luxembourg non-residents

Without prejudice to what is stated above on the Savings WHT, a non-resident having neither a fixed place of business, a permanent establishment nor a permanent representative in Luxembourg to which the Notes and/or the income/gains thereon are attributable is not liable to any Luxembourg income tax, whether he receives payments of principal or interest (including accrued but unpaid interest) or realises capital gains upon redemption, repurchase, sale or exchange of any Notes.

Without prejudice to what is stated above on the Savings WHT, a Luxembourg non-resident having a fixed place of business, a permanent establishment or a permanent representative in Luxembourg to which the Notes and/or the income/gains thereon are attributable has to include any interest, as well as any capital gain realized on the sale or disposal of the Notes, in his/her taxable income for Luxembourg income tax assessment purposes.

Net Wealth Tax

A Luxembourg resident or a non-resident having a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which the Notes are attributable is subject to Luxembourg net wealth tax on such Notes, except if the Noteholder is (i) a resident or non-resident individual taxpayer, (ii) an undertaking for collective investment subject to the law of December 17, 2010 (amending the law of December 20, 2002), (iii) a securitisation company governed by the law of March 22, 2004 on securitization (as amended), (iv) a company governed by the law of June 15, 2004 on venture capital vehicles (as amended), (v) a specialized investment fund subject to the law of February 13, 2007 (as amended) or (vi) a family wealth management company subject to the law of May 11, 2007 (as amended).

Other Taxes

Registration taxes and stamp duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes. In the case of court proceedings in a Luxembourg court or the voluntary presentation of documents—either directly or by way of reference—to any official authority (*autorité constituée*) in Luxembourg, such court or *autorité constituée* may require registration of all or part of the documents with the *Administration de I'Enregistrement et des Domaines* in Luxembourg, which may result in registration duties, at a fixed rate of €12 or an *ad valorem* rate which depends on the nature of the registered document, becoming due and payable if and at the time when the documents are registered with the *Administration de I'Enregistrement et des Domaines* in Luxembourg.

Value added tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Inheritance tax and gift tax

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a Noteholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY

Set out below is a summary of certain limitations on the enforceability of the Guarantees and the security interests relating to the Notes, and of certain insolvency law considerations in each of the jurisdictions in which the Issuer, the Guarantors and the providers of security (as of the date hereof) are organized or incorporated. It is a summary only. Bankruptcy or insolvency proceedings or a similar event could be initiated in any of these jurisdictions and/or in the jurisdiction of organization or incorporation of a future guarantor under the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Guarantees and any security securing the Notes.

European Union

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "EU Insolvency Regulation"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU Member State (other than Denmark) where the company concerned has its "center of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "center of main interests" is a question of fact on which the courts of the different EU Member States may have differing and even conflicting views.

The term "center of main interests" is not a static concept. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "center of main interests" in the EU Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the perception of the company's creditors as regards to the local center of the company's business operations may all be relevant in the determination of the place where the company has its "center of main interests."

If the "center of main interests" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation with these proceedings being governed by the *lex fori concursus*, i.e. the local laws of the court opening such main insolvency proceedings. Insolvency proceedings opened in one EU Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be opened in another EU Member State. If the "center of main interests" of a debtor is in one EU Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another EU Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other EU Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other EU Member State. If the company does not have an establishment in any other EU Member State, no court of any other EU Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

In the event that any one or more of the Issuer, the Guarantors or any of the Guarantors' subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantors.

Germany

The grant and the enforcement of a guarantee or the security interests granted by a German company which is established in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung*, "GmbH") or a limited liability partnership where the sole general partner is a GmbH (*Kommanditgesellschaft*, "GmbH & Co. KG") (the "German Guarantor") will violate German law if, and to the extent, the guarantee or the security interests secure liabilities of a direct or indirect parent or sister company of the German Guarantor or collateral provider and payments under the guarantee or the enforcement of the security interests would either (i) cause the

amount of the net assets (that is, assets minus liabilities and liability reserves) of such German Guarantor or collateral provider (in case of a GmbH) or of the general partner of such German Guarantor or collateral provider (in the case of a GmbH & Co. KG) to fall below the amount of its registered share capital or (ii) would lead to the cash-flow insolvency (*Zahlungsunfähigkeit*) of the relevant German Guarantor or, as the case may be, collateral provider, within the current or the subsequent fiscal year. See "—Insolvency Proceedings under German Law—Limitation on Enforcement" below.

Under German law it is unclear whether all of the security interests in the Collateral give the Security Agent a right to prevent other creditors of the German Guarantors from foreclosing into and realizing the Collateral. Some courts have held that certain types of security interests only give their holders priority (according to their rank) in the distribution of any proceeds of such realization, but not an intervention right. Accordingly, the Security Agent may not be able to avoid foreclosure by unsecured creditors into the Collateral, even if it considers such foreclosure untimely.

Pledges

Under German law, a pledge can only be validly created in favor of the creditor(s) of the secured claims. Furthermore its validity, extent and enforceability is strictly linked ("accessory") to the validity, extent and enforceability of the secured claims. In particular, a pledge may cease to exist if the claims secured by the pledge are transferred to new creditor(s) by way of novation or at a time when no amounts are outstanding under the secured claims. Therefore, the security interests granted as pledges under German law have been created in favor of the Security Agent acting in its capacity as creditor of a parallel debt. It is widely believed that a parallel debt can effectively be secured by a pledge, but there are no published court decisions on this issue. See "—Parallel Debt" below.

Since German law does not generally permit for an appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event, an enforcement of a share pledge governed by German law usually requires the sale of the relevant Collateral through a formal disposal process involving a public auction. Certain waiting periods and notice requirements may apply for such disposal process.

Insolvency Proceedings under German law

In the event of insolvency of a German Guarantor or a German subsidiary of a German Guarantor, insolvency proceedings may be initiated in Germany if the German Guarantor or, as the case may be, such German subsidiary of a German Guarantor was held to have its center of main interests within the territory of the Federal Republic of Germany at the time the application for the opening of insolvency (*Insolvenzeröffnungsantrag*) is filed. Such proceedings would then be governed by German law. However, pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one member state of the EU, the jurisdiction of the German courts to open main insolvency proceedings may not be existent in case the company's "center of main interests" is found to be in a member state other than Germany.

The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Act (*Insolvenzordnung*) may be less favorable to your interests as creditors as the insolvency laws of other jurisdictions, including the ranking of creditors' claims and the duration of insolvency proceedings, and may limit your ability to recover payments due on the notes to an extent exceeding the limitations arising under other insolvency laws.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/or a creditor and/or the company files a petition for the opening of insolvency proceedings. Such petition can be filed either by a company itself or by a creditor of such company upon the occurrence of a mandatory insolvency reason with the two mandatory insolvency reasons under German insolvency law being over-indebtedness (*Überschuldung*) and inability of the debtor to make payments when due (hereinafter also referred to as illiquidity or cash-flow insolvency) (*Zahlungsunfähigkeit*).

According to a more recent change in German insolvency law, a company is over-indebted if its liabilities exceed the value of its assets (to be assessed on their liquidation values) unless a continuation of the debtor's business as a going concern is predominantly likely. A company is considered to be illiquid if it is unable to pay its debts as and when they fall due.

Upon a company becoming illiquid or over-indebted, its managing director(s) and, in certain circumstances its shareholders, are required by law to file for insolvency without undue delay, at the latest within three weeks

after the occurrence of the mandatory insolvency event, with non-compliance exposing management to severe civil liability as well as criminal sanctions. In addition, only the debtor is entitled, but not obliged, to file an application for the opening of insolvency proceedings in case the debtor's illiquidity is imminent (*drohende Zahlungsunfähigkeit*), which is the case when there is a risk that the company will become illiquid within a certain prognosis period. Imminent illiquidity is only a valid reason for a voluntary insolvency filing of the debtor, but is not a valid basis for an involuntary creditor's filing.

Any insolvency proceedings in Germany are administered by the competent insolvency court which monitors and supervises the insolvency process. Upon receipt of an application for the opening of insolvency proceedings, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary stage of the insolvency proceedings (*vorläufiges Insolvenzverfahren*). One of the preliminary measures taken by the insolvency court is the appointment of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) who is appointed to protect the debtor's assets and is particularly charged to ascertain (i) the existence of an insolvency reason and (ii) whether there are sufficient (unencumbered) assets available to cover the costs of the insolvency proceedings. If, in the course of preliminary insolvency proceedings (usually taking two to six months), the preliminary insolvency administrator concludes that the company is technically insolvent and that the anticipated proceeds of the liquidation of the debtor's assets will cover the costs of the insolvency proceedings (for the most part court fees as well as the remuneration of the (preliminary) insolvency administrator), the court opens formal insolvency proceedings. In case the value of the (unencumbered) assets is insufficient to cover the costs of the insolvency proceedings, the opening of formal insolvency proceedings will be formally rejected by the insolvency court (*Abweisung mangels Masse*). In the court order opening insolvency proceedings, the court appoints an insolvency administrator (usually the same person who acted as preliminary insolvency administrator) with full authority to administer the insolvent estate and to dispose of the debtor's assets. As an exception, the court may order for debtor-in-possession insolvency proceedings (*Eigenverwaltung*), an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*). The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the company's business operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseschulden*) will be preferred to any insolvency claim of an unsecured creditor (this also includes such portion of a secured creditor's claim which exceeds the amount obtained through a realization of the relevant collateral).

All creditors, whether unsecured or secured (unless the security grants a right to demand segregation of any asset from the insolvent estate (*Aussonderungsrecht*)), who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened.

Whether or not, after the initiation of insolvency proceedings, a secured creditor remains entitled to enforce security granted to it by the relevant debtor depends on the type of security. However, even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the insolvent secured creditor retains a right of preferred satisfaction (*Absonderungsrecht*) with regard to the disposal proceeds realized by the insolvency administrator. As a consequence, the enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts ("excess-proceeds") are retained within the insolvent estate and used for the satisfaction of preferred liabilities of the estate (*Masseverbindlichkeiten*) with the remainder (if any) being distributed among the unsecured creditors.

The excess proceeds resulting from the disposal of collateral provided to other creditors together with the sales proceeds of other unencumbered assets of the Issuer, may, after any and all liabilities of the estate (including, but not limited to, the costs for insolvency proceedings) have been satisfied, not be sufficient to satisfy the unsecured claims of the Noteholders against the Issuer or under the guarantee granted by such German Guarantor (if any). In addition, it may take several years until an insolvency dividend (if any) is distributed to unsecured creditors.

A different distribution of enforcement proceeds could be proposed in an insolvency plan (*Insolvenzplan*) that may be submitted by the relevant debtor or the relevant insolvency administrator and which requires the consent of the debtor as well as the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (that is, there is no group insolvency concept under German insolvency law at the

moment; however, please note that the German Ministry of Justice has just recently published a draft bill providing for a group insolvency concept with regard to certain provisions such as, *inter alia*, jurisdiction and cooperation of management boards of subsidiaries in group insolvencies). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims arising from shareholder loans (unless privileged)), while claims of a person who became a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors.

Limitation on Enforcement

The German subsidiaries of the Company are established in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung*, "GmbH") or a limited liability partnership where the sole general partner is a GmbH (*Kommanditgesellschaft*, "GmbH & Co. KG"). Consequently, the issuance of guarantees or the creation of security interests by a German subsidiary in order to guarantee or secure liabilities of a direct or indirect parent or sister company is subject to certain provisions of the German Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*, "GmbHG").

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 (that is, assets minus liabilities and liability reserves) is or would fall below the amount of its stated share capital (*Stammkapital*). Guarantees, share pledges and any other collateral granted by a GmbH in order to guarantee or secure liabilities of a direct or indirect parent or sister company are considered disbursements in the meaning of Sections 30 and 31.

In addition, sentence 3 of Section 64 GmbHG prohibits the managing directors of a GmbH to make payments to the shareholders leading to the cash-flow insolvency of the GmbH within the current or subsequent fiscal year. Payments towards a guarantee as well as share pledges and any other collateral granted by a GmbH in order to guarantee or secure liabilities of a direct or indirect parent or sister company are considered payments to its shareholders in the meaning of sentence 3 of Section 64 GmbHG.

Therefore, in order to enable the German subsidiaries to guarantee, or grant collateral to secure, liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and/or 64 GmbHG, it is standard market practice for credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to such German subsidiaries. Pursuant to such limitation language, the secured parties agree to enforce the collateral and the beneficiaries of the guarantees agree to enforce the guarantees against the German subsidiary only to the extent that such enforcement (i) does not result in the subsidiary's net assets falling below its registered share capital and (ii) does not lead to the subsidiary's cash-flow insolvency within the current or subsequent fiscal year triggering the liability of a managing director of the German Guarantor or, as the case may be, security provider pursuant to sentence 3 of Section 64 GmbHG. Accordingly, the documentation in relation to the guarantees and the security interests which secure liabilities of a direct or indirect parent or sister company, to the extent they relate to a German subsidiary of the Company, includes such limitation language and such guarantees and security interests are limited in the manner described.

The limitations set out above are contained *mutatis mutandis* in guarantees and other collateral which is granted by a GmbH & Co. KG.

German capital maintenance and liquidity protection rules are subject to ongoing court decisions. We cannot assure you that future court rulings may not further limit the access of shareholders to the assets of their subsidiaries constituted in the form of a GmbH, which can negatively affect the ability of the Issuer to make payment on the Notes, of the subsidiaries to make payments on the Guarantees, of the secured parties to enforce the collateral or of the beneficiaries of the Guarantees to enforce the Guarantees.

Parallel Debt

Under German law, certain "accessory" security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held for the benefit of a third party by a person who does not itself hold the secured claim. The Trustee and the Noteholders will not be party to the security documents. In order to permit them to benefit from pledges granted to the

Security Agent under German law the security documents provide for the creation of a "parallel debt" in favor of the Security Agent. Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by the Issuer in respect of the Notes. The pledges governed by German law will directly secure the parallel debt only. There are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt, and hence there is no certainty that German courts will uphold such pledges.

Insolvency Avoidance Rights

In the event of insolvency with respect to a German Guarantor or a German collateral provider based in and governed by the insolvency laws of Germany, the insolvency administrator (*Insolvenzverwalter*) of such entity may, under certain circumstances, avoid (*anfechten*) transactions, which were effected prior to the commencement of insolvency proceedings. Such transactions can include the payment of any amounts to the Trustee or Noteholders as well as issuing, or making payments under, the Guarantees, granting security for or providing credit support for the benefit, directly or indirectly of the Notes. The administrator's right to avoid transactions may, depending on the circumstances, extend to transactions during the last ten years prior to the petition for commencement of insolvency proceedings and may arise, in particular, if a transaction was entered into with the actual intent to disadvantage insolvency creditors, or if the counterparty was aware that the entity entering into the transaction was technically insolvent at that time and that the transaction was detrimental to the insolvency creditors. In case the validity or enforceability of the Notes, any Guarantee or the Security securing the Notes is avoided successfully, you may not be able to recover any amounts under the Notes, the relevant Guarantee or Security.

In particular, a transaction (which term includes the provision of guarantees or security interests as well as the payment of debt) may be avoided in the following cases:

- a transaction granting a creditor security or satisfaction for a debt (*Befriedigung*) can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was cash-flow insolvent (*zahlungsunfähig*), which means such debtor was unable to pay its debt when due, and the creditor had knowledge thereof, or (ii) after a petition for the opening of insolvency proceedings had been filed and the creditor had, at the time of the transaction, knowledge thereof or of the debtor being cash-flow insolvent (or knowledge of circumstances imperatively suggesting such filing or cash flow insolvency);
- a transaction granting a creditor security or satisfaction for a debt to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be avoided if the transaction was effected in the month prior to the filing of a petition for the opening of insolvency proceedings; if the transaction was effected in the second and third month prior to the filing, it can be avoided if at the time of the transaction (i) the debtor was cash flow insolvent, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor (or knowledge of circumstances imperatively suggesting such detrimental effects);
- a legal transaction (*Rechtsgeschäft*) effected by the debtor which is directly detrimental to the creditors of the debtor can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if, at the time of the transaction, the debtor was cash-flow insolvent and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings had been filed and the other party to the legal transaction had knowledge either of the petition or of the debtor being insolvent;
- a transaction whereby a debtor grants security for a third party debt might be regarded as having been granted gratuitously (*unentgeltlich*); a gratuitous transaction can be avoided if it was effected in the last four years prior to the filing of a petition for the opening of insolvency proceedings;
- any act performed by the debtor, including the granting of guarantees and security interest, during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after such filing, can be avoided if the debtor acted with the intent to disadvantage its creditors provided that, at the time of the transaction, the beneficiary of the act had knowledge of such intent;
- any non-gratuitous contract concluded between the debtor and a related party of the debtor which directly operates to the detriment of the creditors can be avoided unless such contract (i) was concluded earlier than two years prior to the filing for the opening of insolvency proceedings or (ii) the other party had no knowledge of the debtor's intention to disadvantage its creditors; in terms of corporate entities, the term "related party" includes, subject to certain limitations, members of the management or

supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction for a claim of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be avoided (i) in the event such act provided security, if the transaction was effected in the last ten years prior to the filing of a petition for opening of insolvency proceedings or thereafter or (ii) in the event such act resulted in satisfaction, if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter; or
- a transaction whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

For purposes of the above, the knowledge of circumstances from which a compelling conclusion as to the inability of the debtor to make payments when due or as to the making of a petition for the commencement of insolvency proceedings can be drawn will be considered an equivalent to the positive knowledge of the debtor's inability to make payments when due or of the petition for the commencement of insolvency proceedings.

Apart from the examples of an insolvency administrator avoiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The conditions vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

If the Notes, any Guarantee or any Security or any payment thereunder were so avoided or held unenforceable for any reason, you would cease to have any claim in respect thereof. Any amounts received from a transaction that has been avoided would have to be repaid to the insolvent estate.

Austria

Insolvency Laws

Several guarantors are organized under the laws of Austria, may have their center of main interest in Austria or may at least have assets located in Austria (each an "Austrian Guarantor"). In the event of insolvency, insolvency proceedings may, therefore, be opened against such guarantors in Austria, which are governed by the Austrian Insolvency Code (*Insolvenzordnung*). Creditors' rights might also be affected by the Austrian Business Reorganization Act (*Unternehmensreorganisationsgesetz*), which does not govern insolvency proceedings but regulates the reorganization of companies in financial distress. The Austrian Insolvency Code regulates on the one hand liquidation proceedings in which the debtor's assets or company as a whole are sold and the proceeds are distributed among its creditors, after the deduction of certain costs of the proceedings and the insolvency administrator. On the other hand it also provides for restructuring proceedings enabling the debtor to discharge its liabilities through quota payments and to continue its activities under certain conditions. The Business Reorganization Act, which regulates the reorganization proceedings for enterprises threatened by insolvency, is not designed to assist creditors in satisfying their debts, but rather to support the reorganization of the debtor's enterprise. The insolvency laws of Austria may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions. As a result, your ability to recover payments due on the Notes may be limited to an extent exceeding the limitations arising under other insolvency laws.

The Austrian Insolvency Code (Insolvenzordnung)

Insolvency proceedings must be opened by a court upon application by the debtor or a creditor whenever it has been established that a company is illiquid (*zahlungsunfähig*), i.e. in principle unable to pay its debts in due time, or is over-indebted in terms of insolvency law (*insolvenzrechtlich überschuldet*), i.e. in principle that the liabilities exceed its assets at liquidation values and there is a negative forecast on the company's future survival (negative going-concern prognosis, or *negative Fortbestehensprognose*), provided that the insolvency estate's value is sufficient to cover at least the costs of the insolvency proceedings. Restructuring proceedings

(*Sanierungsverfahren*), upon application by the debtor, may also be initiated, if the risk of the debtor's inability to pay its debts is at least imminent (*drohende Zahlungsunfähigkeit*) and the debtor files an application for the opening of such proceedings.

Depending on whether or not a permissible restructuring plan (*Sanierungsplan*) is presented together with the application for the opening of insolvency proceedings the insolvency proceedings will be designated as restructuring proceedings (*Sanierungsverfahren*) or bankruptcy proceedings (*Konkursverfahren*). Whenever the debtor applies for the opening of insolvency proceedings as restructuring proceedings and presents a permissible restructuring plan (*Sanierungsplan*) offering a quota of at least 20% to the unsecured creditors payable within a maximum of two years (in case of entrepreneurs), the insolvency proceeding is called restructuring proceeding (*Sanierungsverfahren*). A debtor may present such a restructuring plan also in the course of a bankruptcy proceeding whereby, if the restructuring plan was presented after the bankruptcy proceedings were opened, the proceeding will be continued to be designated as bankruptcy proceedings (*Konkursverfahren*).

Restructuring plans generally intend to discharge the debtor from a part of its debts (up to 80%) and to enable the debtor to continue its business activities. A qualified simple majority of unsecured creditors must approve the restructuring plan. Qualified simple majority means that the simple majority of unsecured creditors in number present at the hearing must vote in favor of the restructuring plan and that the total sum of these unsecured creditors' claims must amount to more than 50% of the unsecured claims present at the hearing. If the restructuring plan is accepted by the creditors, confirmed by the court and fulfilled by the debtor, the latter is released from the rest of its debts.

If the debtor applies for the opening of insolvency proceedings and presents qualified documents together with a restructuring plan offering a quota of at least 30% to the unsecured creditors payable within a maximum of two years, it is entitled to self administration (*Sanierungsverfahren mit Eigenverwaltung unter Aufsicht eines Verwalters*) which may be withdrawn, if, for example, negative effects on the creditors' positions can be expected. If the realization of a restructuring plan fails, the insolvency proceeding will be continued as bankruptcy proceeding.

Unless the debtor meets the requirements for self administration, the debtor is not any longer in the position to dispose of the assets subject to insolvency, i.e. the insolvent's estate (*Insolvenzmasse*), as from the opening of insolvency proceedings. The opening takes effect as of 0:00 a.m. of the day following the publication of the receiving order (*Insolvenzedikt*) in the official insolvency data base (www.edikte.justiz.gv.at). After the initiation of insolvency proceedings legal acts of the debtor in relation to the debtor's estate take no effect towards the creditors. The court appoints an insolvency administrator (*Insolvenzverwalter*) along with its decision on the opening of insolvency proceedings, and, if it deems this necessary in view of the specifics or size of the debtor's business or in case certain legal requirements are met (e.g. intended sale of the entire business of the debtor), a creditors' committee (*Gläubigerausschuss*) to assist the insolvency administrator. After the opening of insolvency proceedings without self administration (i.e. bankruptcy proceedings or restructuring proceedings without self administration) only the insolvency administrator is entitled to act on behalf of the debtor's estate.

The insolvency administrator's main task is to administer and realize the assets of the insolvent's estate. According to Austrian insolvency law, the insolvency administrator generally shall continue the debtor's business in order to enable a potential reorganization of the debtor's business either by implementing the debtor's restructuring plan (which he may also apply for during the bankruptcy proceedings) or by a sale of the debtor's business or assets. If neither a restructuring plan nor the sale of the debtor's business or assets is possible, the insolvency administrator will break up the company and the bankruptcy proceedings will ultimately lead to the sale and distribution of the debtor's assets, the debtor remaining liable for its residual debts.

If the debtor meets the requirements for self administration the debtor is monitored by a court appointed restructuring administrator (*Sanierungsverwalter*) to whom certain transactions are reserved.

Unsecured creditors (*Insolvenzgläubiger*) shall file their claims with the competent court within the time period set out in the court order on the opening of insolvency proceedings. At the so-called examination hearing (*Prüfungstagsatzung*), which is held at the competent court, the insolvency administrator has to declare whether he acknowledges or contests a claim filed. If the insolvency administrator acknowledges a creditor's claim, this creditor is entitled to participate in the insolvency proceeding, which means that he will finally receive the quota that is distributed to the unsecured creditors. If a creditor's claim is contested by the insolvency administrator, the creditor has to assert its claim in civil proceedings in order to maintain its right to participate in the insolvency proceedings.

Claims of unsecured creditors in insolvency proceedings, which were created before the opening of these proceedings, rank *pari passu*. Taxes, social security contributions, wages and salaries are not, as such, privileged or preferential claims under Austrian insolvency law. Claims which lawfully arose against the debtor's estate after the opening of the proceedings, so called privileged claims (*Masseforderungen*) or claims which are secured by collateral (such as by a mortgage, a pledge over bank accounts or shares, a pledge or an assignment of receivables for security purposes or a pledge or security transfer of moveable assets), so-called preferential claims (*Absonderungsrechte*), enjoy priority in insolvency proceedings. Creditors who have a right to preferential treatment may participate in the *pro rata* distribution only to the extent that the proceeds from the realization of the assets charged to them did not cover their claims or if they have waived their right to preferential treatment. Secured creditors do not have a voting right on the restructuring plan to the extent their claim is covered by security.

The costs of the insolvency proceedings and certain liabilities accrued during insolvency proceedings rank prior to all other claims. Creditors with a right of separation of assets (*Aussonderungsberechtigte*), such as creditors with retention of title, remain unaffected by the opening of insolvency proceedings though they may be barred from exercising their rights for a maximum period of six months following the opening of insolvency proceedings, if the exercise of such rights would endanger the carrying on of the debtor's business and the interdiction does not cause a severe personal or economic damage to the secured creditor. The same applies for secured creditors of preferential claims (*Absonderungsberechtigte*) (section 11 of the Austrian Insolvency Code).

Once formal proceedings have been opened it is not possible to obtain an execution lien any more. All execution proceedings against the debtor are stayed (*Vollstreckungssperre*). Execution liens obtained within the last 60 days before formal proceedings were opened expire.

Section 25a paragraph 1 of the Austrian Insolvency Code provides that for a period of six months from the opening of insolvency proceedings contractual partners of the debtor may terminate contracts only for cause. In this context, the deterioration of the economic situation or the lack of timely performance by the debtor prior to the opening of insolvency proceedings is not considered a cause allowing a termination. This restriction only applies if a termination of a contract would jeopardize the continuation of the debtor's business. No restrictions apply if a termination of a contract is inevitable to prevent the contractual partner from incurring severe personal or economic damages or the debtor does not timely perform its contractual obligations after the opening of the insolvency proceedings.

Pursuant to section 25b paragraph 2 of the Austrian Insolvency Code, a contractual stipulation providing for the right to withdraw from an agreement or an automatic termination in the event of opening of insolvency proceedings against the other party is not enforceable (with the exception of close-out netting arrangements).

Powers of attorney granted by the insolvent debtor terminate automatically upon the opening of insolvency proceedings.

The Austrian Business Reorganization Act (Unternehmensreorganisationsgesetz)

The Austrian Business Reorganization Act (*Unternehmensreorganisationsgesetz*) governs business reorganizations, which are designed to enable businesses in temporary financial distress to continue to do business after having undergone a reorganization procedure. Only the debtor may apply for the opening of a reorganization procedure, provided, however, that it is still solvent at the time of its application. The relevant criteria for the opening of a business reorganization procedure are a quota of own funds (*Eigenmittelquote*) of less than 8% and a fictitious duration of debt redemption (*fiktive Schuldentilgungsdauer*) of more than 15 years, in each case as defined in the Business Reorganization Act.

Pursuant to section 19 of the Austrian Business Reorganization Act, a contractual stipulation providing for the right to withdraw from an agreement or for its automatic termination in the event of the opening of reorganization proceedings relating to the other party is not enforceable.

The Right of Avoidance (Contestation) in the Event of Insolvency Proceedings

Legal actions and legal transactions that have taken place within certain suspect periods prior to the opening of insolvency proceedings may be subject to an avoidance claim by the insolvency administrator according to the avoidance rules of the Austrian Insolvency Code (*Insolvenzordnung—IO*). General requirements for avoidance are: (i) the avoidance must result in an increase of the insolvent's estate (*Befriedigungstauglichkeit*); (ii) the challenged legal action or challenged legal transaction must have caused a direct or indirect discrimination of the other creditors (*Gläubigerbenachteiligung*); and (iii) the avoidance claim generally must be filed by the insolvency administrator within one year after the opening of the insolvency proceedings at the latest.

In particular, the following legal transactions and legal acts are voidable:

- Avoidance due to intent to discriminate (*Anfechtung wegen Benachteiligungsabsicht*) (section 28/1-3 IO): Transactions concluded in order to discriminate other creditors may be challenged if they were entered into within 10 years prior to the opening of insolvency proceedings and the other party knew about the debtor's intention to discriminate. If the other party was not aware but should have been aware of the debtor's intention to discriminate its creditors the period is shortened to two years prior to the opening of the insolvency proceedings. If the legal act was concluded with or for the benefit of a close relative (relatives, in-laws) the burden of proof regarding the knowledge of the intention to discriminate is shifted to the relative, i.e. the relative must prove that he or she had no knowledge and was not negligent in having no knowledge respectively. Should the debtor be a legal entity capable of being a party in a lawsuit then members of the managerial and supervisory bodies, shareholders with unlimited liability as well as shareholders pursuant to section 5 EKEG (i.e. in particular shareholders controlling the debtor or holding a stake of at least 25% or other persons not being a shareholder and exercising a dominant influence like a majority shareholder) are deemed to be close relatives. The same applies to persons which were a "relative" in the year preceding the opening of insolvency proceedings.

- Avoidance due to squandering of assets (*Anfechtung wegen Vermögensverschleuderung*) (section 28/4 IO): Avoidance may apply to certain contracts, including purchase, supply and exchange contracts, entered into by the debtor that are considered a squandering of assets at the expense of other creditors, if the counterparty to the contract had or should have knowledge of such squandering. Squandering of assets is assumed if an obvious incongruity exists between performance and consideration. Section 28 no 4 of the Insolvency Code applies to transactions that took place within one year prior to the opening of insolvency proceedings.

- Avoidance of transactions with no consideration and analogous transactions (*Anfechtung wegen unentgeltlicher und ihnen gleichgestellter Verfügungen*) (section 29 IO): Dispositions of the debtor that were concluded free of charge or are equivalent to such dispositions may be challenged. A disposition free of charge requires that the disposing person acts with the intention not to receive any consideration in return. The disposition amounts to a sacrifice by the debtor. Examples for such dispositions are: donations, acknowledgement of a debt, security for liabilities, and payment of someone else's debt. Among others things, if the debtor receives an adequate consideration in return (*angemessenes Entgelt*) the disposition may not be challenged pursuant section 29 of the Insolvency Code. Any economic benefit or interest may be qualified as a consideration. Section 29 of the Insolvency Code applies to dispositions concluded within two years prior to the opening of insolvency proceedings.

- Avoidance due to preferential treatment (*Anfechtung wegen Begünstigung*) (section 30 IO): The payment of or granting of security to a creditor (*Befriedigung oder Sicherstellung*) carried out by the insolvent debtor after its material insolvency or after filing an application for the opening of insolvency proceedings or within 60 days prior to such insolvency application may be avoided if (i) the creditor obtained security or satisfaction which it was not or not in that way or at that time entitled to, unless he was not favored by this transaction (objective preferential treatment) or (ii) the transaction took place for the benefit of a close relative unless such relative did not know and should not have known the debtor's intention of the preferential treatment or (iii) the transaction took place for the benefit of any other creditor who knew or should have known about the debtor's intention of the preferential treatment (subjective preferential treatment). Material insolvency means illiquidity (*Zahlungsunfähigkeit*) or over-indebtedness in terms of insolvency law (*insolvenzrechtliche Überschuldung*). "Close relative" has the same meaning as described above. Objective preferential treatment does not require any subjective elements on part of the counterparty. In particular, the counterparty's knowledge of the financial state of the debtor is irrelevant. Subjective preferential treatment requires the debtor's intention and the creditor's knowledge of the debtor's intention to favor a creditor. Transactions carried out more than one year before the opening of the insolvency proceedings may not be contested pursuant to Section 30 of the Insolvency Code. In case of transactions to the benefit of close relatives, the insolvency administrator in particular benefits from certain relief regarding burden of proof.

- Avoidance due to knowledge of insolvency (*Anfechtung wegen Kenntnis der Zahlungsunfähigkeit*) (section 31 IO): Pursuant to Section 31 of the Insolvency Code legal acts carried out by the insolvent debtor after its material insolvency or after filing for the opening of insolvency proceedings may be challenged if the legal act (i) constitutes payment of or granting of security to a creditor (*Befriedigung oder Sicherstellung*) or (ii) is considered a disadvantageous legal act (*nachteiliges Rechtsgeschäft*). The legal act by which a creditor's claim is satisfied or secured may only be challenged if the creditor knew

or was negligently not knowing of the debtor's material insolvency or pending insolvency petition. A legal act is considered disadvantageous if the chances for satisfaction of other creditors' claims are worsened due to the legal act.

Disadvantageous transactions of the debtor concluded with creditors may be challenged if such agreements are directly disadvantageous to other creditors and the contracting partner knew or should have known of the debtor's material insolvency or pending insolvency petition.

Disadvantageous transactions of the debtor concluded with non-creditors may be challenged if such agreements are either directly or indirectly disadvantageous to creditors, however, only if the contracting partner (i) knew or should have known of the debtor's material insolvency or pending insolvency petition and (ii) the disadvantage for the insolvency estate was objectively predictable at the time of the transaction. Such objective predictability is in particular at hand if a restructuring plan is obviously flawed (*offensichtlich untaugliches Sanierungskonzept*).

A transaction is considered indirectly disadvantageous (*mittelbare Nachteiligkeit*) if the transaction is objectively balanced, i.e. not directly disadvantageous but the transaction nonetheless lowers the recovery rate of creditors. In case of an indirectly disadvantageous transaction the contracting partner must prove that the disadvantage to the insolvency estate was objectively unpredictable. If the contracting partner and thus beneficiary of the satisfaction/securing or disadvantageous act is a close relative, he or she must in addition prove that he or she had no knowledge of the debtor's illiquidity or insolvency petition.

Transactions carried out more than six months before the opening of the insolvency proceedings may not be contested pursuant to section 31 of the Insolvency Code.

In addition to a receiver avoiding transactions according to the Austrian Insolvency Code, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any transactions according to the Austrian Avoidance Act (*Anfechtungsordnung*) outside of formal insolvency proceedings. The conditions for such action vary to a certain extent from the rules described above, and the avoidance periods are calculated from the date when such other creditor exercises its rights of avoidance in the courts.

Guarantee and Security

Corporate Law Capital Maintenance Rules and Enforcement Limitations

The grant and the enforcement of a guarantee or the security interest granted by an Austrian limited liability company (*GmbH*) or Austrian stock corporation (*AG*) is limited by strict capital maintenance rules imposed by Austrian corporate law, including the Austrian Stock Corporation Act (*Aktiengesetz*) and the Austrian Act on Limited Liability Companies (*Gesetz über Gesellschaften mit beschränkter Haftung*). These rules protect the assets of an Austrian company on behalf of its respective creditors. The entire set of corporate assets, even those exceeding the stated capital, falls under the capital maintenance rules. Contributions to shareholders by an Austrian company may only be made under explicitly specified circumstances. The most important of these explicitly specified circumstances provides that shareholders have the right to receive dividend payments, but only if said payments are restricted to the amount of net profits as shown in the approved annual financial statements and not prohibited by law or the respective subsidiary's articles of association and if the shareholder resolved on the disbursement of such dividend payment. An Austrian company may not make any other asset-reducing payments to a group company (not being a direct or indirect subsidiary), except (i) in the context of repayments within the scope of stated capital decreases, or (ii) payments and contributions within the scope of a permitted arms length transaction. Any contribution or payment to an affiliated company (not being a direct or indirect subsidiary) (respectively to a third party for the benefit of such an affiliated company) without an adequate consideration would be considered as a violation of the Austrian capital maintenance rules.

A violation of Austrian capital maintenance rules by an Austrian company would generally result as a prohibited repayment of equity (*verbotene Einlagenrückgewähr*)—in the nullification of the relevant transaction between that subsidiary and the shareholder or, as applicable, affiliated company in question and, under certain circumstances, in the nullification of the relevant transaction between an Austrian company and the third party (e.g., financing bank) in case an Austrian company has provided an upstream or cross stream guarantee for the benefit of such third party for the financing to the parent company. According to established case law and unanimous doctrine, the creation of personal security (such as guarantees) or *in rem* security (such as a pledge over shares or bank accounts) securing obligations of other group companies constitutes such a benefit for the third party (e.g., financing bank) within the meaning of the above interpretation and may, hence, violate Austrian capital maintenance rules.

Under the Austrian Supreme Court case law upstream and cross-stream guarantees/collateral would only be in compliance with the Austrian capital maintenance rules provided that the corporate bodies of an Austrian Guarantor (or security provider) are satisfied, acting reasonably, that such up-stream and cross-stream "financial assistance" is in the best interest of the Austrian company and fully justified by a business purpose, respectively corporate benefit (*betriebliche Rechtfertigung*). The Austrian Supreme Court has not yet specified what exactly is meant by corporate benefit.

There remains the risk that the granting of an upstream/cross-stream guarantee (collateral) by an Austrian subsidiary violates the Austrian capital maintenance rules (due to a lack of corporate benefit).

In order to mitigate such risk, it is market standard to provide for limitations on any guarantee or security interest that is intended to secure obligations of other group companies. The guarantee and other security granted by the Austrian entities contain standard limitation language stating that, *inter alia*, all obligations thereunder shall be limited to the maximum amount permitted under Austrian capital maintenance rules (which amount may be zero or close to zero) and enumerate certain items which the parties understand to be permitted under Austrian capital maintenance rules. It should be noted that while this approach is market standard in comparable Austrian transactions, there is no case law or legal writing supporting this approach.

The Issuer cannot assure you that future court rulings may not further limit the validity and enforceability of the up-stream and cross-stream guarantees and security interests granted by Austrian companies, which could negatively affect its ability to make payment on the Notes offered hereby or the ability of the subsidiaries to make payments on the guarantees.

Accessory Security Interests/Parallel Debt

The validity and enforceability of security interests granted by Austrian companies will depend on the validity of the respective obligation which is secured by such security instruments. Under Austrian law a pledge is an accessory right (*akzessorisches Recht*) and will therefore be subject to the same legal consequences as the secured obligation; if the secured obligation is terminated or not valid, the same applies to the pledge. Furthermore, only monetary claims (*geldwerte Forderungen*) may be secured by a pledge under Austrian Law and the pledge will cease by operation of Austrian Law upon payment (or other discharge) of the secured obligations.

Under Austrian law, a pledge may only be validly created in favor of creditors of the secured claims. Therefore, the security interests granted by the Austrian entities have been created in favor of the Security Agent acting in its capacity as creditor of a parallel debt and as a joint creditor of the secured claims. This approach is market standard in comparable Austrian transactions; however, there is no case law supporting this approach. No assurance can be given that the parallel debt will eliminate or mitigate the risk of unenforceability posed by Austrian law.

Since Austrian law does permit an appropriation of pledged assets by the pledgee upon the occurrence of an enforcement event only to a limited extent, an enforcement of a pledge governed by Austrian law generally requires the sale of the relevant collateral through a formal disposal process taking into account the pledgor's interests. Certain waiting periods and notice requirements will apply to such a disposal process.

Equity Replacement Law

The Austrian Act on Equity Replacements (*Eigenkapitalersatzgesetz*) contains detailed provisions regarding equity replacing shareholder loans. It in particular stipulates that a loan granted by a "shareholder" in a financial crisis (i.e., the subsidiary is insolvent, over-indebted or the requirements of a business reorganization procedure are met) is deemed to be equity replacing. In a financial crisis equity replacing shareholder loans may not be repaid. This means in particular that in insolvency proceedings respective claims of the "shareholder" lender are subordinated by operation of law. A "shareholder" is defined to be (i) a shareholder with a controlling participation, (ii) a shareholder with a participation of at least 25%, and (iii) any person not holding a participation in the company but having a controlling influence (*beherrschender Einfluss*) with regard to the company. Furthermore, a person granting a loan/credit to a company is to be considered as "shareholder" if (i) it holds a participation or other rights in a person other than the company granted the loan/credit which has a dominant (*beherrschenden*) influence regarding the company granted the loan/credit (indirect controlling participation), or (ii) it indirectly holds a participation in the company granted the loan/credit of at least 33%, or (iii) it holds a controlling direct or indirect participation in a company which holds a participation of at least 25% in the company granted the loan/credit (section 8 of the Act on Equity Replacements).

Prior to the enactment of the Act on Equity Replacements the Austrian Supreme Court had developed even stricter rules on equity replacing shareholder loans compared to the rules stipulated in the Act on Equity Replacements. Following this, it is unclear whether, in addition to the provisions of the Act on Equity Replacements, such rules (or certain of its rules) developed by the Austrian Supreme Court are still applicable/relevant and applied by Austrian courts. In this context it must be noted that it is uncertain whether the rules on equity replacing shareholder loans also apply to "atypical pledgees" (*atypische Pfandgläubiger*) and/or under what circumstances a secured lender may qualify as atypical pledgee.

Enforcement of Judgments

According to the Austrian Enforcement Code (*Exekutionsordnung*), foreign judgments (other than judgments rendered by a court in the EEA) are only enforceable if the reciprocity is warranted by a bilateral or multilateral treaty between the countries involved or by an ordinance (*Verordnung*) of the Austrian government (in which ordinance the Austrian government confirms the reciprocity). The Republic of Austria and the U.S. have not entered into a treaty regarding the reciprocal recognition and enforcement of judgments rendered in either court, other than arbitration awards in civil and commercial matters. There is also no applicable ordinance of the Austrian government in place. As such, the courts of Austria will not recognize and/or enforce a judgment obtained in the courts of the U.S., be it a judgment rendered by a U.S. federal or state court. Accordingly, the subject matter upon which a judgment has been obtained in a U.S. federal or state court must be re-litigated before Austrian courts (or courts of the EEA) in accordance with applicable Austrian Civil Procedure Laws (*Zivilprozessverfahren*): only after having obtained a final judgment before Austrian courts can enforcement procedures be initiated under the Austrian Enforcement Code.

Shadow Director

A person granted the rights of information and control and that actually influences the management of an Austrian Guarantor could, depending on the extent of such rights granted and the actual use of such rights, qualify as shadow director (*faktischer Geschäftsführer*). A person qualifying as a shadow director could be liable for any acts made in connection with the management of the company (the shadow director in general has the same obligations and liability as a regular director appointed in accordance with applicable corporate law); in particular the shadow director could be liable towards the creditors of the company.

Banking Law Restrictions

The Austrian Banking Act (*Bankwesengesetz*) enumerates certain banking activities. Companies may in general only conduct these activities on a commercial basis (*gewerblich*) if they have been granted a banking license by the Austrian supervisory authority (the "Austrian Financial Market Authority"). In addition, the Austrian Securities Supervision Act 2007 (*Wertpapieraufsichtsgesetz 2007*) enumerates certain activities which qualify as investment services and investment activities; such activities include the reception and transmission of orders in relation to one or more financial instruments, the portfolio management, investment advice, etc. Entities may in general only conduct such regulated activities on a commercial basis if they have either been granted a banking license or an investment service license by the Austrian supervisory authority.

Besides any entity licensed by the Austrian Financial Market Authority to conduct regulated activities within the meaning of the Banking Act and the Securities Supervisory Act also credit institutions or investment firms, respectively, authorized in a member state of the EEA may conduct certain of the regulated activities in Austria. Any such entity may conduct the relevant activities in Austria either by the establishment of a branch office or by way of the freedom to provide services, insofar as such activities are authorized under the legal provisions of the Member State of incorporation and the relevant notification procedure in line with the European law directive 2006/48/EC or the European law directive 2004/39/EC, respectively, and the relevant local laws have been complied with. Accordingly, any entity which intends to conduct activities regulated by the Austrian Banking Act or the Securities Supervision Act in Austria or, from outside of Austria, into Austria on a commercial basis, requires a respective license or successful completion of EEA notification procedures. The conducting of such regulated activities in Austria without the necessary license or successful completion of EEA notification procedures can trigger in particular administrative fines and civil law sanctions. The Banking Act and the Securities Supervision Act, respectively, provide that whoever conducts such regulated activities in Austria without the necessary license shall be punished by the Austrian supervisory authority with monetary penalty of up to €100,000 if it does not even qualify as a criminal offense. Furthermore, the laws provide that whoever conducts such regulated activities unlicensed shall not be entitled to any compensation connected with such activities (such as interests, commissions, fees, etc); sureties (*Bürgschaften*) and guarantees granted in connection therewith are ineffective. Furthermore, a civil law suit for unfair competition by competitors is possible. The transaction (agreement) itself, however, remains valid.

Stamp Duty

With effect from January 1, 2011, Austrian stamp duty (*Rechtsgeschäftsgebühr*) on loan and credit agreements (*Darlehens- und Kreditverträge*) and all types of security instruments (with the exception of bills of exchange) relating to loan and credit agreements has been abolished. However, it is important to note that the Austrian Stamp Duty Act was not repealed entirely, so that all other transactions listed in said act (including without limitation assignments (*Zessionen*), suretyships (*Bürgschaften*) and assumptions of obligations (*Schuldbeitritte*) remain dutiable. In particular, should the Austrian entities accede to any document in connection with the Offering of the Notes and assume obligations without being granted significant rights, Austrian tax authorities could consider the accession agreements as an assumption of obligations (*Schuldbeitritt*) which triggers stamp duty if certain other criteria are met pursuant to the Austrian Stamp Duty Act (*Gebührengesetz*) and no exemption applies. As it is unclear, whether an exemption applies, precautionary measures have been taken in the documentation relating to the Offering of the Notes. These measures aim to mitigate any Austrian stamp duty risk and are usually applied in comparable transactions.

Appointment of a Curator

Pursuant to the Act on Curators regarding Partial Debentures (Kuratorengesetz), a curator may be appointed as representative for the holders of partial debentures (*Teilschuldverschreibungen*) by the competent court under specific circumstances, in particular if rights of holders of such partial debentures might be endangered due to the lack of common representation. Following this, in general and with regard to the scope of the representation by the curator, the respective holders of such partial debentures may not exert their rights arising out of the partial debentures on their own as such rights are then exerted by the curator; however, they are in general entitled to accede the respective legal proceedings initiated by the curator against the Issuer as intervenors (*Nebenintervenient*).

The Netherlands

Insolvency

Where a company (incorporated in the Netherlands or elsewhere) has its “center of main interests” or an “establishment” in the Netherlands, it may be subjected to insolvency proceedings in this jurisdiction. This is particularly relevant for Takko Fashion NL B.V., Takko Holding Netherlands B.V. and Takko Nederland B.V., which have their corporate seat (*statutaire zetel*) in Oldenzaal, the Netherlands, and are therefore presumed (subject to proof to the contrary) to have their “center of main interests” in the Netherlands.

Dutch insolvency law differs significantly from insolvency proceedings in the U.S. and other jurisdictions, and may make it more difficult for holders of Notes to recover the amount they would normally expect to recover in a liquidation or bankruptcy proceeding in the U.S. or another jurisdiction.

There are two primary insolvency regimes under Dutch law applicable to legal entities: the first, suspension of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor’s indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. A general description of the principles of both insolvency regimes is set forth below.

Unlike Chapter 11 proceedings under U.S. bankruptcy law, in which both secured and unsecured creditors are generally barred from seeking to exercise remedies against the debtor without court approval, in suspension of payments and bankruptcy proceedings under Dutch law secured creditors (and in case of suspension of payments also preferential creditors (including tax and social security authorities)) may enforce their rights against assets of the company to satisfy their claims as if there were no insolvency proceedings. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. Consequently, your potential recovery could be reduced in Dutch insolvency proceedings.

Restrictions on the enforcement of security interests may apply. For instance, higher ranking rights must be respected. These may include secured creditors and tax and social security authorities. A statutory stay of execution of security rights and other rights of up to two months, extendable by another period of up to two months, may be imposed. Further, a receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have a preferred claim in respect of the proceeds, meaning that the secured

creditor will have to share in the bankruptcy costs, which may be significant. Excess proceeds of any enforcement must be returned to the bankrupt estate; they may not be set-off against an unsecured claim of the secured creditor.

Any pending executions of judgments against the debtor will be suspended by operation of law when suspension of payments is granted and terminated by operation of law when bankruptcy is declared. In addition, all attachments on the debtor's assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination. Litigation pending on the date of the bankruptcy order is automatically stayed.

In a suspension of payments and in bankruptcy, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50% of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the Dutch courts. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Notes to effect a restructuring and could reduce the recovery of a holder of Notes.

Claims against a company subject to Dutch insolvency proceedings will have to be verified in the insolvency proceedings in order to be entitled to vote and, in a bankruptcy liquidation, to be entitled to distributions. "Verification" under Dutch law means, in the case of a suspension of payments, that the treatment of a disputed claim for voting purposes is determined and, in the case of a bankruptcy, that the value of the claim is determined and whether and to what extent it will be admitted in the insolvency proceedings. The valuation of claims that would not otherwise have been payable at the time of the proceedings may be based on a net present value analysis. Unless secured by a pledge or a mortgage, interest accruing after the date on which insolvency proceedings are opened cannot be verified. Where interest accruing after the date of opening of the proceedings, it can be admitted *pro memoria*.

The existence, value and ranking of any claims submitted by the holders of the Notes may be challenged in the Dutch insolvency proceedings. Generally, in a creditors' meeting (*verificatievergadering*), the receiver in bankruptcy, the administrator in suspension of payment proceedings, the insolvent debtor and all verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors meeting may be referred to separate court proceedings (*renvooiprocedure*) in bankruptcy, while in suspension of payments the court will decide how a disputed claim will be treated for voting purposes. These situations could cause holders of Notes to recover less than the principal amount of their Notes. *Renvooi* procedures could also cause payments to the holders of Notes to be delayed compared to holders of undisputed claims.

The Dutch Bankruptcy Act does not in itself recognize the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a *pro rata* basis. Contractual subordination will generally be given effect in Dutch insolvency proceedings, with the actual effect largely depending on the way such subordination is construed.

Fraudulent transfer / conveyance

Under Dutch law, a legal act performed by a person (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of its creditors or its receiver in bankruptcy, if (a) it performed such act without an obligation to do so (*onverplicht*), (b) the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and (c) at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of its creditors (existing or future) would be prejudiced (*actio pauliana*). In the case of a bankruptcy, the beneficiary of the guarantee or security interest is presumed (subject to evidence to the contrary) to have known that creditors of the debtor would be prejudiced if the bankruptcy follows within a year of the granting and for no consideration. In addition, the bankruptcy receiver may challenge the guarantee or security interest if it was granted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the guarantee or security interest was granted at a time that the beneficiary of such guarantee or security interest knew that a

request for bankruptcy had been filed or (ii) if such guarantee or security interest was granted as a result of collusion between the debtor and the beneficiary of such guarantee or security interest with a view to give preference to the beneficiary over the debtor's other creditors. Consequently, the validity of any guarantees or security interests granted by a Dutch legal entity may be challenged and it is possible that such challenge would be successful.

Further Limitations on Enforcement

Whether or not a Guarantor is subject to insolvency proceedings in the Netherlands, a guarantee or a security document governed by Dutch law may be affected by, and a payment thereunder may be withheld based on, the principles of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet-toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*) and other general defenses available to debtors under Dutch law. Other general defenses include claims that a guarantee or security interest should be avoided on grounds of abuse of circumstances (*misbruik van omstandigheden*), deceit (*bedrog*), intimidation (*bedreiging*) or mistake (*dwaling*), the right to set off (*verrekening*) and the right to suspend performance (*opschortingsrecht*) or dissolve (*ontbinding*) a contract if the other party is in default in respect of its obligations.

The validity, binding effect and enforceability of a guarantee may also be successfully contested by a Dutch company (or its receiver in bankruptcy or administrator in a suspension of payments) on the basis of an *ultra vires* claim. Such a claim will be successful if (i) the granting of a guarantee is *ultra vires* (i.e. exceeds the scope the entity's objects or is not in the entity's corporate interest) and (ii) the counterparty of such Dutch company under the relevant guarantee knew or should have known (without inquiry) of this fact. In determining whether the granting of such guarantee is *ultra vires*, the Dutch courts would not only consider the text of the objects clause in the articles of association of the company but all relevant circumstances including whether the company derives certain commercial benefits from the transaction in respect of which the guarantee was granted. If and to the extent that it is determined that there is an imbalance, to the disadvantage of the company, between the value of the commercial benefit and the amount for which the company is held liable, then irrespective of the wording of the objects clause in its articles of association the company (and any bankruptcy receiver or administrator in suspension of payments) may contest the validity or enforceability of the act and it is possible that such contestation will be honoured by the Dutch courts. Benefit may, according to Dutch case law, consist of an indirect benefit derived by the company as a consequence of the interdependence of such company with the group of companies to which it belongs. In addition, it is relevant whether, as a consequence of the granting of the guarantee, the continuity of such company would foreseeably be endangered by the granting of such guarantee. It remains possible that even if such strong financial and commercial interdependence exists, the transaction may be declared void if it appears that the granting of the guarantee cannot serve the realization of the relevant company's objects. The foregoing applies *mutatis mutandis* to the acceptance of joint and several liability for, or providing or agreeing to provide security for, obligations of a third party, whether or not affiliated, and any other legal act having similar effect.

In connection with the removal of the prohibition on financial assistance for Dutch private companies with limited liability as per October 1, 2012, it was mentioned in Dutch Parliament that the granting of security, providing of a guarantee or accepting of liability with a view to the acquisition (or the refinancing thereof) by any party of shares in the company's share capital or the shares of its (direct or indirect) parent company could, depending on the further circumstances, constitute ultra vires. At present, there is no Dutch case law on this subject.

A guarantee granted by a Dutch company and a security interest provided by a Dutch company may be suspended or avoided by the Enterprise Chamber of the Court of Appeal in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*) on the motion of the holder or holders of 10% or more of the shares in such company or who are entitled to an amount in shares or depositary receipts issued therefor with a nominal value of €225,000 or such lesser amount as is provided by the articles of association of such company. If the company has an issued share capital of at least €22.5 million such motion may be made by a holder or holders of 1% or more of the shares in such company or, provided those are listed on a qualifying trading venue, shares or depositary receipts issued therefor with a value of €20 million or more or such lesser amount as provided in the company's articles of association. A trade union and of other entities entitled thereto in the articles of association of the relevant Dutch company may also submit a motion to the enterprise chamber for this purpose. The guarantee or security itself may further be upheld by the enterprise chamber, yet actual payment under it may be suspended or avoided.

Parallel Debt

It is generally assumed that under Dutch law security interests such as rights of pledge cannot be validly created in favor of a person who is not the creditor of the claim that the security interest intends to secure. The

beneficial holders of the Notes from time to time will not be party to the security documents. In order to permit the holders of the Notes from time to time to have a secured claim, the documentation relating to the Notes will provide for the creation of a "parallel debt." Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by Dutch law will directly secure the parallel debt. The parallel debt procedure has not been tested under Dutch law, and there is no certainty that it will eliminate or mitigate the risk of unenforceability posed by Dutch law.

Luxembourg

The Company, the Issuer, Salsa Retail Holding DebtCo 2 S.à r.l. and Takko Luxembourg 1 S.C.A., are organized or incorporated under the laws of Luxembourg, and will provide security interests securing the Revolving Credit Facility and the Notes. The insolvency laws of Luxembourg may not be as favorable to your interests as beneficiaries of these guarantees and security interests as the laws of the U.S. or other jurisdictions with which you may be familiar.

Certain Luxembourg insolvency law considerations

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. The following is a brief description of certain aspects of insolvency laws in Luxembourg. In the event that a Luxembourg company experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Under Luxembourg law, the following types of proceedings (altogether referred to as "insolvency proceedings") may be opened against an entity having its center of main interests in Luxembourg within the meaning of the E.U. Insolvency Regulation in Luxembourg:

- bankruptcy proceedings ("*faillite*"), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio* in Luxembourg. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if the relevant company: (i) is in a state of cessation of payments ("*cessation des paiements*") and (ii) has lost its creditworthiness ("*ébranlement de crédit*"). The main effect of such proceedings is the suspension of all measures of enforcement against the company (except, subject to certain limited exceptions, for enforcement by secured creditors), and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (i.e. (i) is unable to pay its debts as they fall due with normal means of payment and (ii) has lost its creditworthiness) must within a month of them having become aware of the company's cessation of payments and loss of creditworthiness, file a petition for bankruptcy ("*faillite*") with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third-parties on the basis of principles of directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy ("*banqueroute simple*") in accordance with article 574 of the Luxembourg Code of Commerce ("*Code de commerce*");
- controlled management proceedings ("*gestion contrôlée*"), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order provisional suspension of payments, including a stay of enforcement of claims by secured creditors subject to certain limited exceptions; and
- composition with creditors proceedings ("*concordat préventif de faillite*"), the opening of which may be requested only by the company and not by its creditors themselves. The Luxembourg court's decision to admit a company to the composition with creditors proceedings triggers a provisional stay on enforcement of claims by creditors (except for claims secured by a mortgage, a privilege, or a pledge, and on claims by the tax authorities).

In relation to secondary proceedings within the meaning of the E.U. Insolvency Regulation, if an entity has an establishment (as described in the E.U. Insolvency Regulation) in Luxembourg, the only insolvency proceedings that may be opened will be bankruptcy proceedings ("*faillite*") with limited effects to the assets located in Luxembourg.

In addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a reprieve from payments ("*sursis de paiement*") or to put the Luxembourg company into judicial liquidation ("*liquidation judiciaire*"). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg Code of Commerce or of the Luxembourg law dated August 10, 1915 on commercial companies as amended. The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of a Luxembourg company in respect of the Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the relevant entity that are preferred under Luxembourg law. Preferential debts under Luxembourg law include, among others:

- remuneration owed to employees;
- social security contributions;
- certain amounts owed to the Luxembourg Revenue; and
- value added tax and other taxes and duties owed to the Luxembourg Customs and Excise.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

Pursuant to article 20 of the Luxembourg law dated August 5, 2005 concerning financial collateral arrangements, as amended (the "Luxembourg Collateral Law"), all Luxembourg law collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as all enforcement events and valuation and enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable, even if entered into during the pre-bankruptcy preference period ("*période suspecte*"), against third-parties, commissioners, receivers, liquidators and other similar persons irrespective of any bankruptcy, liquidation or other situation of composition with creditors, whether national or foreign, save in the case of fraud.

Article 24 of the Luxembourg Collateral Law provides that foreign law financial collateral arrangements granted by a Luxembourg pledgor or security grantor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law financial collateral arrangements are similar in nature to a Luxembourg financial collateral arrangement falling within the scope of the Luxembourg Collateral Law. If article 24 applies, Luxembourg preference period rules are disapplied (save the case of fraud).

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended, save as provided for in the Luxembourg Collateral Law. Other than as described above, the ability of certain secured creditors to enforce their security interest may also be limited, in particular, in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization judgment given by the court. A reorganization judgment requires the prior approval by more than 50% of the creditors, representing via their claims which have not been challenged more than 50% of the relevant Luxembourg company's liabilities, and the court's approval in order to take effect. Furthermore, declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the pre bankruptcy preference period (*période suspecte*) which is a maximum of six months plus ten days preceding the judgment declaring bankruptcy, except that in certain specific situations a Luxembourg court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce, some specific transactions (such as, in particular, the granting of a security interest for antecedent debts, save in respect of financial collateral arrangements within the meaning of the Luxembourg Collateral Law; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to article 446 of the Luxembourg Code of Commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments;
- pursuant to article 21 (2) of the Luxembourg Collateral Law, notwithstanding the preference period as referred to in articles 445 and 446 of the Luxembourg Code of Commerce, where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is valid and binding against third-parties, administrators, insolvency receivers, liquidators and other similar organs if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of it; and
- pursuant to article 448 of the Luxembourg Code of Commerce and article 1167 of the Luxembourg Civil Code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy judgment rendered by a Luxembourg court does not result in automatic termination of contracts, except for employment agreements. The contracts, therefore, subsist after the bankruptcy judgment. However, the insolvency receiver may choose to terminate certain contracts as to avoid the worsening of the financial condition of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. The bankruptcy judgment provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and the Luxembourg company's respective obligations with respect to the Notes.

In addition, international aspects of Luxembourg bankruptcy, controlled management or composition with creditors proceedings may be subject to the E.U. Insolvency Regulation n° 1346/2000. In particular, rights *in rem* over assets located in another jurisdiction where the E.U. Insolvency Regulation is applicable will not be affected by the opening of insolvency proceedings, without prejudice however to the application of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Luxembourg Collateral Law as described above and article 13 of the E.U. Insolvency Regulation).

Finally, with respect to Guarantors incorporated in Luxembourg, even if the Luxembourg law dated August 10, 1915 on commercial companies, as amended, does not provide for rules governing the ability of a Luxembourg company to guarantee the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting upstream or cross-stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee or security, provided that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee or security must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee or security must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies; and (iii) such guarantee or security granted or any other financial commitments must not exceed the financial capabilities of the committing company.

A guarantee not satisfying these criteria would expose its *de facto* or *de jure* directors or managers to personal liability or criminal liability. In addition, the guarantee or security interest could itself be held null and void. The Guarantees granted by Guarantors incorporated in Luxembourg (other than the Company) will be limited to a certain percentage of, among other things, the relevant company's net assets (*capitaux propres*).

Certain Luxembourg collateral law considerations

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest are situated) in relation to the creation, perfection and enforcement of security interests over such assets.

As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, bearer securities physically located in Luxembourg, etc.

If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Luxembourg Collateral Law governs the creation, validity, perfection and enforcement of pledges over securities, bank account balances and receivables located or deemed to be located in Luxembourg.

Under the Luxembourg Collateral Law, the perfection of security interests depends on certain registration, notification and acceptance requirements.

The Luxembourg Collateral Law sets out the enforcement remedies in relation to pledges available upon the occurrence of an enforcement event.

The timing of the enforcement will depend on the practical steps needed to enforce the security. No legal proceedings are required for most enforcement methods and Luxembourg courts have rejected actions introduced by collateral providers aiming at delaying the enforcement. Indeed, according to Luxembourg case law, the enforcement of security interests governed by the Luxembourg Collateral Law cannot be stopped by summary proceedings (*procédure en référé*), only actions for liability can be initiated afterwards by the pledgor (*constituant du gage*) against the pledgee (*créancier gagiste*).

Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg, save as provided in the Luxembourg Collateral Law. Security interests/arrangements, which are not expressly recognized under Luxembourg law, and the powers of any receivers/administrators might not be recognized or enforced by the Luxembourg courts, in particular where the Luxembourg security grantor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, except if "main insolvency proceedings" (as defined in the E.U. Insolvency Regulation) are opened under Luxembourg law and such security interests/arrangements constitute rights *in rem* over assets located in another Member State in which the EU Regulation applies, and in accordance of article 5 of the E.U. Insolvency Regulation.

Registration in Luxembourg

The registration of the Notes, the Indenture and the security interests/guarantees (and any other document in connection therewith) with the *Administration de l'Enregistrement et des Domaines* in Luxembourg may be required in the case of legal proceedings before Luxembourg courts or, where such documents are produced before an official Luxembourg authority (*autorité constituée*). If the registration is required, either a nominal registration duty or an *ad valorem* duty (for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No *ad valorem* duty is payable in respect of security interests, which are subject to the Luxembourg Collateral Law.

The Luxembourg courts or the official Luxembourg authority may require that the Notes, the Indenture and the security interests/guarantees (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

BOOK-ENTRY, DELIVERY AND FORM

General

On the closing date, the Global Notes will be deposited with, and registered in the name of the nominee of a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Each series of Notes sold within the U.S. to qualified institutional buyers in reliance on Rule 144A will initially be represented by one global note in registered form without interest coupons attached (the "144A Global Notes"). Each series of Notes sold outside the U.S. in reliance on Regulation S will initially be represented by one global note in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes").

After the closing date, book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Ownership of interests in the Global Notes ("book-entry interests") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through those participants. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holder" of Notes for any purpose.

So long as the Notes are held in global form, the nominee of the common depositary for Euroclear and Clearstream will be considered the sole holder of Global Notes for all purposes under the Indenture governing the Notes. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of the participants through which they own book-entry interests, to transfer the interests or in order to exercise any rights of holders under the Indenture governing the Notes.

Neither we, the Trustee, the paying agent, the nominee of the common depositary for Euroclear and Clearstream nor any of our or their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests.

Issuance of Definitive Registered Notes

The book-entry interests will not be held in definitive form. Instead, Euroclear or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by that participant. The laws of some jurisdictions, including some states of the U.S., may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge book-entry interests. In addition, while the Notes are in global form, "holders" of book-entry interests will not be considered the owners or "holders" of Notes for any purpose.

Under the terms of the Indenture governing the Notes, to the extent permitted by Euroclear or Clearstream, owners of book-entry interests will receive definitive Notes in registered form ("definitive registered Notes"):

- if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act and we do not appoint a successor within 90 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under such Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause, their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of the book-entry interests). Those definitive registered Notes will bear the restrictive legend described under "Notice to Investors" unless that legend is not required at the time by the Indenture governing the Notes or applicable law.

For the purpose of Luxembourg law, ownership of the Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

Redemption of Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the book-entry interests in that Global Note from the amount received by it in respect of the redemption of the Global Note. The redemption price payable in connection with the redemption of the book-entry interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of the Global Note (or any portion thereof). We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on any other basis that they deem fair and appropriate (including the pool factor); provided, however, that no book-entry interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes will be made by us in euro to the principal paying agent. The principal paying agent will, in turn, make payments to the common depositary for Euroclear and Clearstream, which will distribute those payments to participants in accordance with its procedures. Under the terms of the Indenture governing the Notes, we and the Trustee will treat the registered holder of the Global Notes as the owner of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the Trustee nor any of our or its agents has or will have any responsibility or liability for:

- any aspect of the records of (or maintaining, supervising or reviewing the records of) Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest;
- any other matter relating to the actions and practices of Euroclear, Clearstream or any participants or indirect participants; or
- the common depositary, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of those participants, as is the case with securities held for the accounts of customers registered in "street name."

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Company, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of 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 the portion of the aggregate principal amount of Notes for which the participant or participants has or have given direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the relevant Global Notes for definitive registered Notes in certificated form, and to distribute those definitive registered Notes to its participants.

Transfers

The Global Notes will bear a legend as described under "Notice to Investors." Book-entry interests in the Global Notes will be subject to restrictions on transfer described under "Notice to Investors."

Book-entry interests in the Rule 144A Global Note ("restricted book-entry interests") may be transferred to a person who takes delivery in the form of book-entry interests in the Regulation S Global Note ("unrestricted

book-entry interests") only upon delivery by the transferor of a written certification (in the form provided in the Indenture governing the Notes) to the effect that the transfer is made in accordance with Regulation S and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

Prior to 40 days after the date of initial issuance of the Notes, any sale or transfer of interests to U.S. persons will not be permitted unless the resale or transfer is made pursuant to Rule 144A.

Unrestricted book-entry interests may be transferred to a person who takes delivery in the form of restricted book-entry interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture governing the Notes) to the effect that the transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

Any book-entry interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a book-entry interest in the other Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note, and accordingly, will thereafter be subject to all Transfers, if any, and other procedures applicable to book-entry interest in that other Global Note for as long as that person retains the book-entry interests.

Definitive Registered Notes, if any, may be transferred and exchanged for book-entry interests in a Global Note only pursuant to the terms of the Indenture governing the Notes and, if required, only after the transferor first delivers to the trustee a written certificate (in the form provided in the Indenture governing the Notes) to the effect that the transfer will comply with the appropriate Transfers applicable to those Notes.

Global Clearance and Settlement under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-entry interests will be credited to the securities custody account of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Delivery of the Notes was made against payment therefor on April 5, 2013, which was the eighth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as "T+8"). Under Rule 15c6-1 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 wished to trade Notes on the date of pricing or any of the next four succeeding business days were required, by virtue of the fact that the Notes initially settled T+8, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wished to trade Notes on the date of pricing or the next succeeding business days should have consulted their advisors.

Secondary Market Trading

The book-entry interests will trade through participants of Euroclear and Clearstream, and will settle in same-day funds. Since the sale determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchasers' and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trustee's Powers

In considering the interests of the holders of Notes, while title to the Notes is registered in the name of a nominee of a clearing system, the Trustee may have regard to, and rely on, any information provided to it by that clearing system as to the identity (either individually or by category) of its accountholders with entitlements to Notes and may consider such interests as if such accountholders were the holders of the Notes.

Enforcement

For the purposes of enforcement of the provisions of the Indenture against the Trustee, the persons named in a certificate of the holder of the Notes in respect of which a Global Note is issued shall be recognized as the

beneficiaries of the trusts set out in the Indenture to the extent of the principal amounts of their interests in the Notes set out in the certificate of the holder, as if they were themselves the holders of Notes in such principal amounts.

Information Concerning Euroclear and Clearstream

We understand the following with respect to Euroclear and Clearstream:

- Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of those participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets; and
- Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and Clearstream participant, either directly or indirectly.

NOTICE TO INVESTORS

The following restrictions will apply to the Notes. You are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of any of the Notes. See "Description of the Notes."

None of the Notes have been registered under the U.S. Securities Act, and they may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Notes are being offered and sold only (A) to qualified institutional buyers in compliance with Rule 144A and (B) outside the U.S. to non-U.S. persons in accordance with Regulation S. A non-U.S. person shall include any dealer or other professional fiduciary in the U.S. which is acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust) in reliance upon Regulation S. As used in this section, the terms "United States" and "U.S. person" have the meanings given to them in Regulation S.

Each purchaser of Notes will be deemed to have acknowledged, represented and agreed with us, the Initial Purchasers as follows:

(1) It is purchasing the Notes for its own account or for an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a qualified institutional buyer, and is aware that the sale to it is being made in reliance on Rule 144A or (B) at the time the buy order for the Notes is originated, a non-U.S. person that is outside the U.S. (or a non-U.S. person that is a dealer or other fiduciary as referred to above).

(2) It acknowledges that the Notes are being offered for resale in a transaction not involving a public offering in the U.S. (within the meaning of the U.S. Securities Act) and have not been registered under the U.S. Securities Act or any other securities laws and may not be reoffered, resold, pledged or otherwise transferred within the U.S. or to, or for the account or benefit of, U.S. persons except as set forth below.

(3) It shall not offer, resell, pledge or otherwise transfer the Notes except (A) to the Company or any of its subsidiaries, (B) inside the U.S. to a qualified institutional buyer in a transaction complying with Rule 144A or (C) outside the U.S. in an offshore transaction in compliance with Regulation S under the U.S. Securities Act. It acknowledges that the exemption provided by Rule 144 for resale of the Notes is not available.

(4) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(5) It is relying on the information contained in this offering memorandum in making its investment decision with respect to the Notes. It acknowledges that neither we nor the Initial Purchasers have made any representation to it with respect to us or the offering or sale of any Notes, other than the information contained in this offering memorandum which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from us and the Initial Purchasers.

(6) It acknowledges that prior to any proposed transfer of Notes in certificated form or of beneficial interests in a Global Note (in each case other than pursuant to an effective registration statement), the holder of Notes or the holder of beneficial interests in a Global Note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Indenture governing the Notes.

(7) It understands that all of the Notes will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. 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 THE SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES," AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT.

(8) It acknowledges that the Trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth above have been complied with.

(9) It acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us and the Initial Purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Each purchaser and subsequent transferee of a Note 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 hold the Notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act, as amended ("ERISA"), any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or provisions under any federal, state, local non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "Similar Law"), or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by such purchaser or transferee 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.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of a purchase agreement (the "Purchase Agreement") entered into by and among each of the Issuer, the Guarantors and the Initial Purchasers, the Initial Purchasers have severally agreed to purchase from the Issuer, and the Issuer has agreed to sell, the respective principal amount of Notes set forth opposite the names of the respective Initial Purchasers below.

Initial Purchasers	*Aggregate Principal Amount of Fixed Rate Senior Secured Notes*	*Aggregate Principal Amount of Floating Rate Senior Secured Notes*
Deutsche Bank AG, London Branch	€138,225,000	€52,743,750
Goldman Sachs International	€96,425,000	€36,793,750
UniCredit Bank AG	€118,750,000	€45,312,500
Nomura International plc	€26,600,000	€10,150,000
Total	**€380,000,000**	**€145,000,000**

The Initial Purchasers propose to offer the Notes to purchasers at the price indicated on the cover page of this offering memorandum. After the initial Offering of the Notes, the Initial Purchasers may from time to time vary the offering price and other selling terms without notice. The Offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments which the Initial Purchasers may be required to make in respect of any such liabilities. The Issuer will pay the Initial Purchasers a commission and pay certain expenses of the Offering.

We have agreed in the Purchase Agreement, subject to certain exceptions, that for a period of 90 days after the date of this offering memorandum, neither the Issuer nor the Guarantors will, without prior written consent of the representatives of the Initial Purchasers, offer, sell, contract to sell, issue, guarantee or otherwise dispose of any debt securities having a tenor of more than one year.

No action has been or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public Offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for the 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 purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "Notice to Investors."

The Notes and Guarantees have not been and will not be registered under the U.S. Securities Act. Each Initial Purchaser has agreed that it will only offer or sell the Notes (A) in the U.S. to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act, and (B) outside the U.S. to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms used above have the meanings given to them by Rule 144A and Regulation S under the U.S. Securities Act.

In connection with sales outside the U.S., the Initial Purchasers have agreed that they will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering or the date the Notes are originally issued. The Initial Purchasers will send to each dealer to whom it sells such Notes during the 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons.

In addition, with respect to Notes initially sold pursuant to Regulation S, until 40 days after the later of the commencement of the Offering or the date the Notes are originally issued, an offer or sale of such Notes within the U.S. by a dealer that is not participating in the Offering may violate the registration requirements of the U.S. Securities Act.

Each Initial Purchaser has represented and agreed that it has:

- only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- 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.

The Notes are a new issue of securities with no established trading market. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF market. However, there can be no assurance that the prices at which the Notes will sell in the market after the Offering will not be lower than the initial Offering price or that an active market for the Notes will develop and continue after the Offering.

We have been advised by the Initial Purchasers that the Initial Purchasers intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time at the sole discretion of the Initial Purchasers without notice. In addition, market-making activity will be subject to the limits imposed by applicable law, and may be limited. Accordingly, there can be no assurance as to the liquidity of or the trading market for the Notes. See "Risk Factors—Risks related to the Notes and the Guarantees—An active trading market may not develop for the Notes or may have particularly limited liquidity."

In connection with the Offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater number of Notes than they are required to purchase in the Offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the Offering is in progress.

The Initial Purchasers also may impose a penalty bid. This occurs when a particular Initial Purchaser repays to the Initial Purchasers a portion of the underwriting discount received by it because the Initial Purchaser or its affiliates have repurchased Notes sold by or for the account of such Initial Purchaser in stabilizing or short covering transactions.

These activities by the Initial Purchasers, as well as other purchases by the Initial Purchasers for their own accounts, 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 price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise.

Persons who purchase 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 set forth on the cover page hereof.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Company or any of its subsidiaries, for which they received or will receive customary fees and expenses. In addition, certain of the Initial Purchasers or certain of their affiliates are arrangers and certain of the Initial Purchasers or their affiliates are lenders under the existing Senior Facilities Agreement, which will be repaid with the proceeds from the Offering of the Notes, and affiliates of the Initial Purchasers will also be arrangers and lenders under our new Senior Facilities Agreement. See "Description of Other Indebtedness" for more information.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer or any of the Guarantors, including the Notes.

LEGAL MATTERS

Various legal matters will be passed upon for us by Simpson Thacher & Bartlett LLP, London, United Kingdom, as to matters of U.S. federal, New York state and English law, by Hengeler Mueller, Frankfurt am Main, Germany, as to matters of German law and by OPF Partners, Luxembourg, as to matters of Luxembourg law. Certain legal matters will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP, London, United Kingdom, as to matters of U.S. federal and New York state law, Clifford Chance Partnerschaftsgesellschaft, Frankfurt am Main, Germany, as to matters of German law, and by Clifford Chance, Luxembourg, as to matters of Luxembourg law.

INDEPENDENT AUDITORS

The combined financial statements of the Takko Combined Entities prepared by Takko Fashion G Eins GmbH as of and for the fiscal year ended April 30, 2010, prepared in accordance with IFRS and taking into account the basis of preparation described in Note 1 to the combined financial statements, the consolidated financial statements of the Company as of April 30, 2011 and for the short fiscal year from December 7, 2010 to April 30, 2011, prepared in accordance with IFRS, and the consolidated financial statements of the Company as of and for the fiscal year ended April 30, 2012, prepared in accordance with IFRS, have been audited by Ernst & Young Société Anonyme of 7, rue Gabriel Lippman Parc d'Activité Syrdall 2 L-5365 Munsbach, Luxembourg, as stated in the respective auditors' reports appearing herein. For further details see "Presentation of Financial and Other Information."

ENFORCEABILITY OF JUDGMENTS

The Issuer is organized under the laws of Luxembourg. The Guarantors Salsa Retail Holding DebtCo 1 S.à r.l., Salsa Retail Holding DebtCo 2 S.à r.l., Takko Luxembourg and Takko Luxembourg 1 S.C.A. are organized under the laws of Luxembourg. The Guarantors Takko Fashion GmbH, Takko ModeMarkt GmbH, Takko Fashion G Eins GmbH, Takko Fashion G Zwei GmbH, Takko GP GmbH & Co. KG and Takko Holding GmbH are organized under the laws of Germany. Takko Fashion Austria GmbH, Takko Fashion AT Holding GmbH and Takko Fashion Vermögensverwaltungs GmbH are organized under the laws of Austria. The Guarantors Takko Holding Netherlands B.V., Takko Fashion NL B.V. and Takko Nederland B.V. are organized under the laws of the Netherlands. Our directors and executive officers live outside the U.S. The majority of our assets are located outside the U.S. As a result, although we have appointed an agent for service of process under the Indenture governing the Notes, it may be difficult for you to serve process on those persons or the Issuer in the U.S. or to enforce judgments obtained in U.S. courts against them or the Issuer based on civil liability provisions of the securities laws of the U.S.

Luxembourg

We have been advised by our Luxembourg counsel that the U.S. and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a valid judgment against a Luxembourg company with respect to the Notes obtained from a court of competent jurisdiction in the U.S., which judgment remains in full force and effect after all appeals as may be taken in the relevant U.S. state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures (*exequatur*) set forth in Articles 678 *et seq*. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*). The district court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is final and enforceable (*exécutoire*) in the U.S.;
- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under applicable U.S. federal or state jurisdictions rules, and the jurisdiction of the U.S. court is recognized by Luxembourg private international law;
- the U.S. court has applied to the dispute the substantive law designated by Luxembourg and U.S. conflict of law rules;

- the U.S. judgment does not contravene international public policy or public order as understood under the laws of Luxembourg;
- the U.S. court has acted in accordance with its own procedural laws;
- the principles of natural justice have been complied with and the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present a defense;
- the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no statutory prohibition for such review. If an original action is brought in Luxembourg, Luxembourg courts may refuse to enforce any choice of law provisions if the application of such law would contravene, or is manifestly incompatible with, Luxembourg public policy. In a judgment of the Luxembourg District Court, dated January 10, 2008, the District Court differed slightly from the traditional rules for enforcing a judgment described above, and decided that, in order to enforce a foreign judgment in Luxembourg, a Luxembourg judge must make sure that three conditions are fulfilled: (1) the “indirect” competence of the foreign judge based on the connection of the litigation with such judge, (2) the conformity with international public policy requirements, both substantive and procedural, and (3) the absence of fraud to the law. In the judgment, the District Court held that the Luxembourg judge does not need to verify that the (substantive) law applied by the foreign judge is the law which would have been applicable according to Luxembourg conflict of law rules.

Whether the District Court’s opinion described above will develop into the prevailing position of Luxembourg case law cannot be forecast with certainty at this stage, especially considering that in the case at issue the matter was not appealed to the Court of Appeal and because, to the best of our knowledge and belief, having taken all reasonable care to ensure that such is the case, there has been no further case law on the issue since then. To the extent, however, that the District Court’s decision endorsed the solution prevailing in French case law, its decision might, in the future, be endorsed by the Luxembourg courts in general.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

Germany

The U.S. and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the U.S., whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below.

A final and conclusive judgment for the payment of a specific sum of money rendered by a U.S. federal or state court (and any court of appeal of the same jurisdiction) will be recognized and enforceable by the competent German courts without review of its merits, unless:

- the courts of the jurisdiction where the relevant court is located did not have jurisdiction according to German law;
- the judgment was given in default of appearance and the defendant invokes such default and the defendant was not served with the document which instituted the proceedings properly or within sufficient time to enable him to arrange for his defense;

- the judgment is irreconcilable with a judgment given in Germany or a previous, recognizable foreign judgment or the proceedings leading to such judgment are irreconcilable with proceedings that were filed (*rechtshängig*) previously;
- such recognition entails results which are obviously irreconcilable with fundamental principles of German law (*ordre public*), including, among others, the basic rights provided by the German Constitution (*Grundgesetz*); or
- reciprocity is not guaranteed.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. courts in Germany. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

German courts usually deny the recognition and enforcement of punitive damages. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. As far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

Austria

The U.S. and Austria do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. There is also no applicable ordinance of the Austrian government in place. Therefore, a judgment rendered by any court in the U.S. (whether a Federal court or a State court) against an Austrian Guarantor or an Austrian collateral provider, whether or not solely predicated upon U.S. securities laws, will not be enforceable in Austria. Accordingly, the subject matter upon which a judgment has been obtained in a U.S. court must be re-litigated before Austrian courts in accordance with applicable Austrian Civil Procedure Laws (*Zivilprozessverfahren*). Only after having obtained a final judgment before Austrian courts can enforcement procedures be initiated under the Austrian Enforcement Code (*Exekutionsordnung*).

The Netherlands

In the absence of an applicable treaty between the U.S. and the Netherlands, a judgment obtained against a subsidiary Guarantor in a U.S. Court will not be directly enforced in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent court of the Netherlands. The relevant Dutch court has discretion to attach such weight to a judgment of a U.S. Court as it deems appropriate. Based on case law, the courts of the Netherlands may be expected to recognize the binding effect of a final, conclusive and enforceable money judgment of a court of competent jurisdiction in the U.S. without re-examination or re-litigation of the substantive matters adjudicated thereby, provided that (i) the relevant U.S. Court had jurisdiction in the matter in accordance with standards which are generally accepted internationally, (ii) the proceedings before such court complied with principles of proper procedure and (iii) such judgment does not conflict with the public policy of the Netherlands.

Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to enforce in the Netherlands judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that those judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities law.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us and 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.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to Noteholders. See "Description of the Notes—Certain Covenants—Reports."

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 that exchange so require, copies of the Issuer's organizational documents and the Indenture governing the Notes and our most recent consolidated financial statements published by us may be inspected and obtained at the office of the Paying Agent in Luxembourg. See "Listing and General Information."

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market in accordance with the rules of that exchange. The Articles of Association of the Issuer will be published in *Memorial C, Journal Officiel du Grand Duché de Luxembourg*, *Recueil des Sociétés et Associations*. They may be inspected by any interested person at the *Registre du Commerce de Luxembourg*. All notices to Noteholders, including any notice of any additional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation (which is expected to be the *Luxemburger Wort*) or, to the extent and in the same manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

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 that exchange require, copies of the following documents may be obtained at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the organizational documents of the Issuer and the Guarantors;
- our most recent Consolidated Financial Statements, and quarterly interim financial statements published by us; and
- the Indenture governing the Notes (which includes the form of the Notes and the terms of the Guarantees).
- the Security Documents.

We have appointed Deutsche Bank Luxembourg S.A. as Luxembourg transfer agent and listing agent. We reserve the right to change this 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, to the extent and in the same manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Application may be made to the Luxembourg Stock Exchange to have the Notes removed from listing on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, including if necessary to avoid any new withholding taxes in connection with the listing.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Notes will be freely transferable and negotiable in accordance with the rules of the Luxembourg Stock Exchange.

Clearing Information

The Fixed Rate Senior Secured Notes sold pursuant to Regulation S under the U.S. Securities Act and the Fixed Rate Senior Secured Notes sold pursuant to Rule 144A under the U.S. Securities Act have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 090851608 and 090933124, respectively. The international securities identification number for the Fixed Rate Senior Secured Notes sold pursuant to Regulation S under the U.S. Securities Act is XS0908516080 and the international securities identification number for the Fixed Rate Senior Secured Notes sold pursuant to Rule 144A under the U.S. Securities Act is XS0909331240.

The Floating Rate Senior Secured Notes sold pursuant to Regulation S under the U.S. Securities Act and the Floating Rate Senior Secured Notes sold pursuant to Rule 144A under the U.S. Securities Act have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 090851632 and 090933191, respectively. The international securities identification number for the Floating Rate Senior Secured Notes sold pursuant to Regulation S under the U.S. Securities Act is XS0908516320 and the international securities identification number for the Floating Rate Senior Secured Notes sold pursuant to Rule 144A under the U.S. Securities Act is XS0909331919.

Legal Information

The Issuer is a corporate partnership limited by shares (*société en commandite par actions*) organized under the laws of Luxembourg. Its registered office is at 1-3 boulevard de La Foire, L-1528 Luxembourg, Grand Duché

de Luxembourg registered with the Luxembourg register of commerce and companies under number B 175630, and its telephone number at that address is +352 26 86 87 32. The Issuer has a share capital of €31,000 divided into three million ninety-nine thousand nine hundred ninety-nine (3,099,999) ordinary shares and one (1) management share, each all fully subscribed and entirely paid-up.

The object of the Issuer is the acquisition and holding of participating interests, in any form whatsoever, as well as the administration, development and management of such holdings. The Issuer will prepare yearly financial statements.

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in our financial position since January 31, 2013; and
- we have not 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 we 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 and to the best knowledge of the Issuer the information is factual and not misleading. The managers of the Issuer attest, to the best of their knowledge, the information given in the part of the Offering Memorandum for which they are responsible is in accordance with the facts and contains no omission likely to affect the impact of the Offering Memorandum.

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Issuer's financial position since January 31, 2013; and
- the Issuer has not 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 we are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The issuance of the Notes and related transactions have been authorized by resolutions of the Issuer dated March 7, 2013 and April 3, 2013.

Salsa Retail Holding DebtCo 1 S.à r.l. is a private limited liability company ("société à responsabilité limitée") organized under the laws of Luxembourg. Its registered office is at 41, Boulevard Prince Henri, L-1724, Luxembourg, Grand Duché de Luxembourg registered with the Luxembourg register of commerce and companies under number B 157325. Article 2 of the Company's Articles of Incorporation states the object of the company as the acquisition and holding of participating interests, in any form whatsoever, as well as the administration, development and management of such interests. The Company's share capital is ninety nine million two hundred ninety eight thousand four hundred Euro (€99,298,400) divided into nine billion nine hundred twenty-nine million eight hundred forty thousand (9,929,840,000) ordinary shares, each, all fully subscribed and entirely paid-up. Yearly financial statements of the company will be provided to the Luxembourg Stock Exchange.

Additional Guarantors

Takko Fashion G Eins GmbH
Alfred-Krupp-Str. 21
48291 Telgte
Germany

The object of the company is the management of its own assets as laid out in Section 4 of its articles of incorporation. The share capital of the company is €25,000.00 which is fully subscribed and entirely paid up.

Takko Holding GmbH
Alfred-Krupp-Str. 21
48291 Telgte
Germany

The object of the company is the trade and retail of textiles as well as other objects of daily consumer needs, as well as, the purchase, holding and management of companies of shares in partnership assets, as laid out in Section 2 of its articles of incorporation. The share capital of the company is €14,600,000 which is fully subscribed and entirely paid up.

Takko Fashion G Zwei GmbH
Alfred-Krupp-Str. 21
48291 Telgte
Germany

The object of the company is the management of its own asset as laid out in Section 4 of its articles of incorporation. The share capital of the company is €25,000.00 which is fully subscribed and entirely paid up.

Takko Fashion GmbH
Alfred-Krupp-Str. 21
48291 Telgte
Germany

The object of the company is to hold and administer shareholdings in other companies as laid out in Section 2 of its articles of association. The share capital of the company is €25,000.00 which is fully subscribed and entirely paid up.

Takko GP GmbH & Co. KG
Alfred-Krupp-Str. 21
48291 Telgte
Germany

The company is a limited partnership and its object is the management of its own assets, as laid out in Section 2 of its articles.

Takko Modemarkt GmbH
Alfred-Krupp-Str. 21
48291 Telgte
Germany

The object of the company is the trade and retail of textiles and consumer goods as set out in Section 2 of its articles of incorporation. The share capital of the company is €5,000,000 which is fully subscribed and entirely paid up.

Takko Fashion AT Vermögensverwaltungs GmbH
Office Park Objekt 680
1300 Vienna – Airport
Austria

The object of the company is to hold and administer shareholdings in other companies as set out in Section 2 of its articles of incorporation. The share capital of the company is €35,000.00 which is fully subscribed and entirely paid up.

Takko Fashion AT Holding GmbH
Office Park Objekt 680
1300 Vienna – Airport
Austria

The object of the company is to hold and administer shareholdings in other companies as set out in Section 2 of its articles of incorporation. The share capital of the company is €35,000.00 which is fully subscribed and entirely paid up.

Takko Fashion Austria GmbH
Office Park Objekt 680
1300 Vienna – Airport
Austria

The object of the company is to hold and administer shareholdings in other companies as set out in Section 2 of its articles of incorporation. The share capital of the company is €35,000.00 which is fully subscribed and entirely paid up.

Takko Holding Netherlands BV
Gerard Hollinkstraat 3
7575 BB Oldenzaal
The Netherlands

The object of the company is laid out in Section 3 of the articles of incorporation is the incorporation and management of companies and businesses. The share capital of the company is divided into shares of €0.01 each fully subscribed and entirely paid up.

Takko Fashion NL BV
Gerard Hollinkstraat 3
7575 BB Oldenzaal
The Netherlands

The object of the company, as set out in Section 3 of its articles of incorporation is the management and ownership of companies. The share capital of the company is divided into shares with a nominal value of €100.00 each fully subscribed and entirely paid up.

Takko Nederland BV
Gerard Hollinkstraat 3
7575 BB Oldenzaal
The Netherlands

The object of the company, as laid out in Section 3 of the articles of incorporation is to trade in textiles and manage business and companies. The share capital of the company is divided into shares with a nominal value of €10.00 each. All shares are fully subscribed and paid up.

Takko Luxembourg 1 SCA
1-3, Boulevard de la Foire
1528 Luxembourg

The object of the company is the acquisition and holding of participating interests, in any form whatsoever, as well as the administration, development and management of such holdings as set out in section three of its articles of incorporation. The company has a share capital of €31,000.00 divided into 3,099,999 ordinary shares and are management share all full subscribed and entirely paid up.

Takko Luxembourg
1-3, Boulevard de la Foire
1528 Luxembourg

The object of the company, as set out in Section 2 of its articles of incorporation, is the acquisition and holding of participating interests, in any form whatsoever. The share capital of the company is €12,500.00 which is fully subscribed and entirely paid up.

Salsa Retail Holding Debtco 2 S.à.r.l.
41 Boulevard Prince Henri
L-1724 Luxembourg

The object of the company, as set out in article 2 of its articles of incorporation is the acquisition and holding of participating interests, in any form. The share capital of the company is €93,336,500.48 represented by 9,333,650,048 shares all fully subscribed and entirely paid up.

INDEX TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg
Unaudited IFRS Interim Condensed Consolidated Financial Statements for the nine months ended 31 January 2013

Consolidated income statement F-3
Consolidated statement of comprehensive income F-4
Consolidated balance sheet F-5
Consolidated statement of changes in equity F-6
Consolidated statement of cash flows F-7
Notes to the interim condensed consolidated financial statements F-8

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg
IFRS Consolidated Financial Statements as of 30 April 2012

Consolidated income statement F-15
Consolidated statement of comprehensive income F-16
Consolidated balance sheet F-17
Consolidated statement of changes in equity F-18
Consolidated statement of cash flows F-19
Notes to the consolidated financial statements F-20
Independent auditor's report F-59

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg
IFRS Consolidated Financial Statements as of 30 April 2011

Consolidated income statement F-61
Consolidated statement of comprehensive income F-62
Consolidated balance sheet F-63
Consolidated statement of changes in equity F-64
Consolidated statement of cash flows F-65
Notes to the consolidated financial statements F-66
Independent auditor's report F-98

Takko Fashion G Eins GmbH, Telgte
IFRS Combined Financial Statements as of 30 April 2010

Combined income statement F-100
Combined statement of comprehensive income F-101
Combined balance sheet F-102
Combined statement of changes in equity F-103
Combined statement of cash flows F-104
Notes to the combined financial statements F-105
Independent auditor's report F-149

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg

UNAUDITED IFRS INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED

31 JANUARY 2013

TABLE OF CONTENTS

		Page
Consolidated income statement		F-3
Consolidated statement of comprehensive income		F-4
Consolidated balance sheet		F-5
Consolidated statement of changes in equity		F-6
Consolidated statement of cash flows		F-7
Condensed notes to the interim consolidated financial statements		F-8
1.	Basis of preparation of the interim condensed consolidated financial statements	F-8
2.	General Accounting policies	F-8
3.	Seasonal influences	F-9
4.	Notes to the income statement	F-9
4.1	Net revenue	F-9
4.2	Personnel expenses	F-9
4.3	Other operating expenses	F-9
4.4	Financial result	F-10
5.	Income taxes	F-10
6.	Notes to the balance sheet	F-10
6.1	Intangible assets	F-10
6.2	Inventories	F-11
7.	Related party disclosures	F-11
8.	Segment reporting	F-12
9.	Events during the interim period	F-13
10.	Events after the interim balance sheet date	F-13

Consolidated income statement

For the period from 1 May 2012 to 31 January 2013
(Comparative period from 1 May 2011 to 31 January 2012)

in EUR k	*Note*	*1 May to 31 January* 2012/13	2011/12
Net revenue	*4.1*	**803,180**	**792,033**
Cost of materials		(352,013)	(427,448)
Thereof in previous year: reversal of PPA inventory step-up:			(68,961)
Gross Profit		**451,167**	**364,585**
Other operating income		7,542	7,206
Personnel expenses	*4.2*	(154,105)	(140,542)
Lease payments incl. costs for services		(133,365)	(120,999)
Marketing expenses		(31,195)	(47,997)
Other operating expenses	*4.3*	(56,773)	(63,700)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		(45,734)	(31,944)
Operating result		**37,537**	**(33,391)**
Finance costs	*4.4*	(66,955)	(69,185)
Finance income	*4.4*	3,173	141
Financial result		**(63,782)**	**(69,044)**
Loss for the period from ordinary operations		**(26,245)**	**(102,435)**
Loss before taxes		**(26,245)**	**(102,435)**
Income taxes		(11,715)	45,373
Loss for the period		**(37,960)**	**(57,062)**

Consolidated statement of comprehensive income

For the period from 1 May 2012 to 31 January 2013
(Comparative period from 1 May 2011 to 31 January 2012)

in EUR k

Other comprehensive income

	1 May to 31 January	
	2012/13	*2011/12*
Loss for the period	**(37,960)**	**(57,062)**
Exchange differences	(358)	202
Cash flow hedges	(9,448)	7,581
Income taxes relating to components of OCI	2,887	(2,425)
OCI, net of income taxes	**(6,919)**	**5,358**
Total comprehensive income (total CI)	**(44,879)**	**(51,704)**

OCI = other comprehensive income
CI = comprehensive income

Consolidated balance sheet

As of 31 January 2013

in EUR k	*Note*	*31 Jan 2013*	*30 Apr 2012*
ASSETS			
Non-current assets			
Property, plant and equipment		164,744	165,931
Intangible assets—goodwill	*6.1*	936,836	951,537
Intangible assets—other		210,592	209,695
Investment accounted for using the equity method		3,491	—
Other assets		163	—
Derivative financial instruments		—	231
Deferred taxes		5,392	4,904
Total non-current assets		**1,321,218**	**1,332,298**
Current assets			
Inventories	*6.2*	151,905	178,250
Trade receivables		434	721
Other assets		26,731	25,789
Derivative financial instruments		1	9,990
Cash and short-term deposits		24,274	55,157
Total current assets		**203,345**	**269,907**
Total assets		**1,524,563**	**1,602,205**
EQUITY			
Subscribed capital		99,298	99,298
Capital reserves		396,842	396,842
Cash flow hedge reserve		(11,505)	(4,944)
Translation reserve		(324)	34
Retained earnings		(195,221)	(157,261)
Total equity		**289,090**	**333,969**
LIABILITIES			
Non-current liabilities			
Subordinated shareholder loans		360,137	341,670
Liabilities to bank		529,633	537,953
Financial liabilities from finance lease		29,587	29,257
Provisions for pensions and similar obligations		1,997	2,124
Other provisions		8,299	7,214
Other liabilities		1,484	—
Derivative financial instruments		19,543	23,964
Deferred taxes		51,007	47,751
Total non-current liabilities		**1,001,687**	**989,933**
Current liabilities			
Liabilities to bank		39,603	57,020
Financial liabilities from finance leases		11,572	12,087
Other provisions		2,341	3,290
Trade payables		111,360	150,674
Other liabilities		45,086	42,463
Derivative financial instruments		19,907	10,904
Income tax liabilities		3,917	1,865
Total current liabilities		**233,786**	**278,303**
Total equity and liabilities		**1,524,563**	**1,602,205**

Consolidated statement of changes in equity

For the period from 1 May 2011 to 31 January 2012:

in EUR k	*Subscribed capital*	*Capital reserves*	*Cash flow hedge reserve*	*Translation reserve*	*Retained earnings*	*Total equity*
As of 1 May 2011	**99,298**	**396,842**	**(6,463)**	**(237)**	**(82,931)**	**406,509**
Exchange differences				202		202
Loss for the period					(57,062)	(57,062)
Movement on cash flow hedges			5,156			5,156
Total comprehensive income	—	—	5,156	202	(57,062)	(51,704)
As of 31 Jan 2012	**99,298**	**396,842**	**(1,307)**	**(35)**	**(139,993)**	**354,805**

For the period from 1 May 2012 to 31 January 2013:

in EUR k	*Subscribed capital*	*Capital reserves*	*Cash flow hedge reserve*	*Translation reserve*	*Retained earnings*	*Total equity*
As of 1 May 2012	**99,298**	**396,842**	**(4,944)**	**34**	**(157,261)**	**333,969**
Exchange differences				(358)		(358)
Loss for the period					(37,960)	(37,960)
Movement on cash flow hedges			(6,561)			(6,561)
Total comprehensive income	—	—	(6,561)	(358)	(37,960)	(44,879)
As of 31 Jan 2013	**99,298**	**396,842**	**(11,505)**	**(324)**	**(195,221)**	**289,090**

Consolidated statement of cash flows

For the period from 1 May 2012 to 31 January 2013
(Comparative period from 1 May 2011 to 31 January 2012)

in EUR k	*1 May 2012 – 31 Jan 2013*	*1 May 2011 – 31 Jan 2012*
Operating activities		
Loss before taxes	(26,245)	(102,435)
Adjustments to reconcile profit or loss before taxes to net cash flows		
—Depreciation, amortization and impairment of property, plant and equipment and intangible assets	45,734	31,944
—Use of inventories that were measured at fair value in connection with the business combination	0	68,961
—Interest income	(3,173)	(141)
—Interest expenses	66,955	69,185
—Gain or loss on the disposal of non-current assets	796	308
—Change in provisions and pension provisions	(415)	3,516
—Change in other positions	(1,445)	(1,374)
Working capital adjustments		
—Change in trade and other receivables	(2,365)	1,439
—Change in inventories	27,208	(33,753)
—Change in trade and other payables	(34,159)	(14,108)
—Income taxes paid	(2,158)	(5,863)
Net cash from operating activities	**70,733**	**17,679**
Investing activities		
Investment accounted for using the equity method	(523)	0
Purchase of property, plant and equipment	(19,687)	(23,697)
Purchase of intangible assets	(1,897)	(2,657)
Net investments in financial assets	(160)	0
Interest received	90	141
Net cash used in investing activities	**(22,177)**	**(26,213)**
Financing activities		
Proceeds from loans	0	81,000
Payment of finance leases	(12,492)	(12,425)
Payments for the purchase of financial instruments	(852)	(820)
Repayment of loans	(35,500)	0
Interest paid	(30,516)	(31,823)
Net cash from financing activities	**(79,360)**	**35,932**
Net increase in cash and cash equivalents	**(30,804)**	**27,398**
Cash and cash equivalents at the beginning of the period	55,157	45,742
Change in cash and cash equivalents due to exchange differences	(79)	(255)
Cash and cash equivalents as of 31 January	**24,274**	**72,885**

Condensed notes to the interim consolidated financial statements

1. Basis of preparation of the interim condensed consolidated financial statements

Information on the Company

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg, is a limited liability company with its registered office in Luxembourg, 1-3, Boulevard de la Foire. The Company is registered in the Registre de Commerce et des Sociétés Luxembourg under note B 157325.

The condensed consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. relate to the period from 1 May 2012 to 31 January 2013. Comparative information are included.

On 8 February 2011, Salsa Retail Holding DebtCo 1 S.à r.l. acquired the Takko Group and the new group commenced operating activities on this date. The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. as of 30 April 2012 were authorized for issue by management resolution on 18 July 2012.

The Takko Group is a European apparel retail group focused on the value fashion segment and operating more than 1,750 stores across 16 countries in Western, Central and Eastern Europe. The Takko Group offers a wide range of private label apparel and accessories for women, men and children, primarily targeting young and price-conscious, yet fashion-oriented families. The home market of the Takko Group is Germany, where 60% of the stores are located. The Group also has a large presence in 15 other European markets, including Austria, the Netherlands, Czech Republic, Hungary, Romania, Poland, Slovakia and Italy. Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg, is the parent which prepares consolidated financial statements.

Ultimate parent of Salsa Retail Holding DebtCo 1 S.à r.l. is Salsa Retail Holding TopCo S.à.r.l., Luxembourg.

The Group interim condensed consolidated financial statements as of 31 January 2013 were not subjected to an audit.

Consolidated Group

The interim condensed consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. include all German and foreign subsidiaries which Salsa Retail Holding DebtCo 1 S.à r.l. directly or indirectly controls. In accordance with IAS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A subsidiary is included in the interim condensed consolidated financial statements as of the date on which control over the subsidiary is transferred to Salsa Retail Holding DebtCo 1 S.à r.l.

All direct and indirect subsidiaries of Salsa Retail Holding DebtCo 1 S.à r.l. are wholly-owned. All subsidiaries are fully consolidated.

Effective 7 November 2012, Takko entered the Russian market through a Joint Venture with two different independent parties. Takko holds 33.3% of the shares of the Malisano Investment Ltd., Cyprus, which is the ultimate parent of LLC Fashion Family, Russia. The investment was accounted by using the equity method.

In addition to Salsa Retail Holding DebtCo 1 S.à r.l. as the parent company, the interim condensed consolidated financial statements as of 31 January 2013 include 29 entities. In the interim period from 1 May 2012 until 31 January 2013 no further company was established.

2. General Accounting policies

The interim condensed consolidated financial statements for the nine months ended 31 January 2013 have been prepared in accordance with IAS 34, as adopted by the EU.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited Group consolidated financial statements as at 30 April 2012.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group consolidated financial statements for the year ended 30 April 2012.

With respect to revised, amended or new standards and interpretations that have been issued by the IASB and IFRIC until the authorization date of these Group condensed interim consolidated financial statements and which have not been applied yet reference is made to note 2.4 in the Group consolidated financial statements as at 30 April 2012.

3. Seasonal influences

The retail apparel industry in which Takko operates is seasonal by nature, and the net revenue and profits of the Takko Group are therefore subject to seasonal fluctuations. Typically Takko's sales are lower in the summer (June to August) and winter (December to February), while sales in the spring (March to May) and fall (September to November) are higher. Any factors that harm Takko's operating results in the spring or fall, including unfavourable weather and economic conditions, would have an adverse effect on Takko's financial condition and results of operations for the entire fiscal year.

4. Notes to the income statement

4.1 Net revenue

in EUR k	*1 May 2012 to 31 Jan 2013*	*1 May 2011 to 31 Jan 2012*
Net revenue from the sale of goods	798,314	785,738
Net revenue from commission and partnership transactions	4,866	6,295
	803,180	**792,033**

Net revenue from the sale of goods comprises the sale of apparel in the Group's retail stores. Net revenue from commission and partnership transactions mainly relates to the net income from the sale of "beeline" goods.

4.2 Personnel expenses

in EUR k	*1 May 2012 to 31 Jan 2013*	*1 May 2011 to 31 Jan 2012*
Wages and salaries	126,756	114,580
Social security costs	27,349	25,962
	154,105	**140,542**

4.3 Other operating expenses

in EUR k	*1 May 2012 to 31 Jan 2013*	*1 May 2011 to 31 Jan 2012*
Logistics expenses such as freight/vehicle costs/ third-party services, including wages for contract workers	17,251	18,257
Fees for letters of credit	6,019	6,793
Expenses for maintenance/renovation	5,627	4,524
IT and telephone costs	5,251	5,400
Bank charges and fees	4,525	3,717
Incidental personnel expenses	3,769	3,219
Consulting fees	3,588	3,361
Travel and entertainment expenses	2,715	2,537
Contributions, fees and dues	1,931	1,965
Brokerage commission	1,044	730
Foreign exchange losses	935	3,268
Transaction and reorganization costs	757	5,363
Miscellaneous	3,361	4,566
	56,773	**63,700**

4.4 Financial result

in EUR k	*1 May 2012 to 31 Jan 2013*	*1 May 2011 to 31 Jan 2012*
Finance costs		
—Senior term loans	(31,740)	(29,229)
—Derivatives valuation	(140)	(14,086)
—Shareholder loans	(18,406)	(14,089)
—Effects from amortized costs	(4,331)	(3,866)
—Accumulating interest of liabilities and provisions	(2,793)	(3,180)
—Finance leases	(2,204)	(2,277)
—Revolving facility	(1,689)	(1,616)
—Interest rate hedges	(5,646)	(830)
—Other finance costs	(6)	(12)
Finance income		
—Derivatives valuation	3,083	0
—Interest income from bank balances/deposits	38	73
—Other interest income	52	68
	3,173	**141**
	(63,782)	**(69,044)**

Interest expenses for senior term loans increased due to increased interest rates mainly caused by the amendment of the bank loan from January 2012. Interest expenses from the shareholder loans increased due to an additional shareholder loan of EUR 10m in October 2011 and EUR 50m in January 2012. Additionally, the finance costs related to interest rate hedges increased due to higher swap payments as the market interest rates decreased compared to prior period. The finance costs as well as the finance income consist mainly of fair value changes of the interest rate cap and the interest rate floor.

5. Income taxes

in EUR k	*1 May 2012 to 31 Jan 2013*	*1 May 2011 to 31 Jan 2012*
Income taxes		
Current income tax expense	(6,075)	4,979
Deferred income tax expense related to originate and reversal of deferred taxes	(5,640)	40,394
Income tax expense	**(11,715)**	**45,373**
Income tax recognized in other comprehensive income	2,887	(2,425)
Total income taxes from continuing operations	**(8,828)**	**42,948**

6. Notes to the balance sheet

6.1 Intangible assets

Goodwill is tested for impairment on each balance sheet date and at least once a year. A test is also performed if circumstances indicate that the value may be impaired.

Due to an updated medium-term plan Takko actualized a 10-year forecast of the anticipated performance of the cash generating units on the basis of comprehensive strategic analyses.

Our operations in the cash generating unit the Netherlands/Belgium were recently challenged by an unfavorable macro-economic climate and consumer sentiment following various tax increases and less fringe benefits. The operations in the cash generating units Romania and Poland/Estonia/Lithuania were hit by the general economic macro environment especially in Eastern Europe and local retail market dynamics.

Based on the above mentioned updated medium-term plan, goodwill in a total amount of €14.7 million was impaired. Impairment is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

The following CGUs showed an impairment of:

(in EUR k)	
The Netherlands/Belgium	9,500
Romania	3,647
Poland/Estonia/Lithuania	1,554

The remaining goodwill in those CGUs is:

(in EUR k)	
The Netherlands/Belgium	29,873
Romania	2,798
Poland/Estonia/Lithuania	0

The underlying WACC of those CGUs were:

The Netherlands/Belgium	8.5%/9.3%
Romania	11.5%
Poland/Estonia/Lithuania	10.5%/9.5%/11.5%

The recoverable amount of the cash generating unit Poland/Estonia/Lithuania is less than the carrying amount of the unit even without consideration of the allocated goodwill. Therefore, an impairment loss has to be recognized for other assets amounting to €2.5 million.

The amounts were recognized in profit or loss in line item "depreciation, amortization and impairment of property, plant and equipment and intangible assets."

An increase of WACC or shortfall of revenues would lead to an additional impairment loss in the cash generating units The Netherlands/Belgium, Romania and Poland/Estonia/Lithuania.

6.2 Inventories

The carrying amounts of inventories break down as follows:

in EUR k	*31 Jan 2013*	*30 Apr 2012*
Merchandise	123,363	161,928
Goods in transit	27,752	15,471
Raw materials, consumables and supplies	790	851
	151,905	**178,250**

Inventories primarily comprise merchandise and goods in transit. Consumables and supplies mainly relate to sales aids.

7. Related party disclosures

Transactions with related parties in the period from 1 May 2012 to 31 January 2013 are based on the following:

- As of 8 February 2011 Salsa Retail Holding MidCo S.à r.l., Luxembourg, granted a portfolio of shareholder loans amounting to a total of EUR 258m to Salsa Retail Holding DebtCo 1 S.à.r.l at arm's length. The portfolio of shareholder loans consists of EUR 158m preferred equity certificates ("PECs") bearing interest at the rate of 10.193% per annum, EUR 74m PECs bearing interest at the rate of 0.5% per annum and EUR 26m yield-free PECs. As of 31 October 2011 Salsa Retail Holding MidCo S.à r.l., Luxembourg, granted an additional shareholder loan amounting to EUR 10m to Salsa Retail Holding DebtCo 1 S.à.r.l at arm's length. This shareholder was increased by a further amount of EUR 50m as of 27 January 2012 so that a total of additional shareholder loans of EUR 60m was granted in fiscal year 2011/12 bearing interest at the rate of 7.985% per annum. As of 31 January 2013, the loans to Salsa Retail Holding MidCo S.à r.l., including capitalized and accrued interest, amount to EUR 360.1m (30 April 2012: EUR 341.7m).
- Effective 1 September 2012 *a*nd 1 November 2012 Takko Fashion GmbH, Telgte, granted a loan to members of the management of Takko Fashion GmbH amounting to EUR 160k at an interest rate of 5% per annum.

Granting equity instruments to the Takko Group's key management personnel

The private equity shareholder has granted equity instruments to the Takko Group's key management personnel. Management has the opportunity to invest into the shares of Salsa Retail Holding MidCo S.à r.l. Management and Salsa Retail Holding TopCo S.à r.l. will pool shares via Takko Co-Invest GmbH & Co. KG and Salsa Co-Invest GmbH & Co. KG which holds in sum 24.9% interest in Salsa Retail Holding MidCo S.à r.l. The equity instruments have been acquired by management at fair market value; i.e. the private equity shareholder did not grant any preferential conditions, but applied the same conditions valid for the transaction concluded in February 2011. Management may not freely sell the shares and bears the full risk. The shares will only generate a positive return in the event of an exit of the private equity shareholder and in certain situations of the termination of the employment agreement.

8. Segment reporting

For management purposes, the Takko Group is divided in geographical operating segments, as the business is managed at country level respectively at the level of country groups. For segment reporting purposes, the countries were split into three regions: Germany, Western and Central Europe (the Benelux countries, Austria, Switzerland and Italy) and Eastern Europe (Hungary, Romania, Poland, Slovenia, Croatia, Estonia, Lithuania, the Czech Republic, Slovakia and Serbia). The non-operating entities and the consolidations that are set to be performed at group level are shown in a reconciliation. Intersegment sales are made at arm's length.

Takko's adjusted EBITDA is of particular use for internal management and for serving as an indicator of the sustainable profitability of its operating segments. Adjusted EBITDA is the result before interest, taxes, depreciation and amortization adjusted for extraordinary effects and reclassifications. Extraordinary effects relate to non-recurring or non-operating income and expenses; in the period from 1 May 2012 to 31 January 2013, they mainly included a revaluation effect regarding the inventories, transaction costs as well as allocations to and the use and reversal of provisions for potential store losses. Other non-operating profit or loss mainly relates to items of non-recurring nature and to unrealized exchange gains and losses. The adjustment to the financial result is principally attributable to letter of credit fees.

Operating segments by region (1 May 2012 to 31 January 2013)

in EUR k	*Germany*	*Western and central Europe*	*Eastern Europe*	*Recon-ciliation*	*Total*
External revenue (gross)	**611,202**	**150,523**	**199,919**	**0**	**961,644**
External net revenue	512,195	126,762	164,223	0	803,180
Internal net revenue	128,577	0	0	(128,577)	0
Total net revenue	**640,772**	**126,762**	**164,223**	**(128,577)**	**803,180**
Adj. EBITDA	**73,866**	**6,075**	**12,155**	**5,617**	**97,713**
Investments	**11,515**	**4,418**	**5,200**	**450**	**21,583**
Inventories	**113,409**	**15,648**	**22,848**	**0**	**151,905**

Reconciliation to the operating result for the period from 1 May 2012 to 31 January 2013 in EUR k	
Adj. EBITDA	**97,713**
Normalized expenses for store restructuring	(726)
Transaction costs	(31)
Revaluation of inventories	(6,050)
Other non-operating profit or loss	(1,246)
Amortization and depreciation	(45,734)
Adjustments relating to financial results	(6,389)
Adjusted financial result	(63,782)
EBT	**(26,245)**

Operating segments by region (1 May 2011 to 31 January 2012)

in EUR k	*Germany*	*Western and central Europe*	*Eastern Europe*	*Recon-ciliation*	*Total*
External revenue (gross)	**618,118**	**138,202**	**193,590**	**0**	**949,910**
External net revenue	516,991	116,802	158,240	0	792,033
Internal net revenue	144,025	0	0	(144,025)	0
Total net revenue	**661,016**	**116,802**	**158,240**	**(144,025)**	**792,033**
Adj. EBITDA	**68,553**	**7,050**	**8,489**	**5,843**	**89,935**
Investments	**13,056**	**6,994**	**6,249**	**56**	**26,355**
Inventories	**134,834**	**17,075**	**25,802**	**0**	**177,711**

Reconciliation to the operating result for the period from 1 May 2011 to 31 January 2012 in EUR k	
Adj. EBITDA	**89,935**
Normalized expenses for store restructuring	(2,707)
Transaction costs	(2,656)
Revaluation of inventories	(7,678)
PPA step-up effect	(68,961)
Other non-operating profit or loss	(2,214)
Amortization and depreciation	(31,944)
Adjustments relating to financial results	(7,166)
Adjusted financial result	(69,044)
EBT	**(102,435)**

Inventories are presented on a consolidated basis.

As Takko only operates in one area, the apparel retail market, net revenue by product falls into the product categories "Clothing" and "Other." The category "Other" mainly comprises accessories and concession goods.

No revenue is generated in Luxembourg (registered office of the group parent) and there are also no significant non-current assets (intangible assets and property, plant and equipment).

External net revenue by product breaks down as follows:

1 May 2012 to 31 January 2013 in EUR k	*Clothing*	*Other*	*Group*
External net revenue	757,522	45,658	803,180

1 May 2011 to 31 January 2012 in EUR k	*Clothing*	*Other*	*Group*
External net revenue	742,979	49,054	792,033

9. Events during the interim period

The following material event took place during the interim period:

- During the interim period, a total of 117 new Takko stores were opened across Europe.
- Effective 20 September 2012 Hannes Rumer succeeded Erika Tertilt as CFO of the Takko Group.
- Effective 20 September 2012 Hardy Francis Schulz was appointed as CMO of the Takko Group.
- Effective 7 November 2012, Takko entered the Russian market by establishing a new Joint Venture with two different independent parties. The opening of the first test stores is expected towards the end of FY 2012/13.

10. Events after the interim balance sheet date

The following events took place after the interim balance sheet date:

- Since the interim balance sheet date, a total of 16 new Takko stores were opened across Europe in the first month of the fourth quarter of fiscal year 2012/13.
- Effective 27 February 2013, Mr. Ronald van der Vis was appointed as a member of the advisory board.

Luxembourg, 7 March 2013

The Management

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg

IFRS CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 APRIL 2012

TABLE OF CONTENTS

		PAGE
Consolidated income statement		F-15
Consolidated statement of comprehensive income		F-16
Consolidated balance sheet		F-17
Consolidated statement of changes in equity		F-18
Consolidated statement of cash flows		F-19
1	Information on the Company	F-20
2	Accounting policies	F-20
2.1	Basis of preparation	F-20
2.2	Accounting policies	F-21
2.3	Significant accounting judgments, estimates and assumptions	F-22
2.4	Summary of significant accounting policies	F-23
2.5	Standards issued but not yet effective	F-31
3	Business combinations	F-33
4	Notes to the income statement	F-35
4.1	Net revenue	F-35
4.2	Personnel expenses	F-35
4.3	Other operating income	F-35
4.4	Other operating expenses	F-35
4.5	Financial result	F-36
5	Income taxes	F-36
6	Notes to the balance sheet	F-38
6.1	Intangible assets	F-38
6.2	Property, plant and equipment	F-41
6.3	Inventories	F-41
6.4	Trade receivables	F-42
6.5	Other assets	F-42
6.6	Cash and cash equivalents	F-42
6.7	Equity	F-43
6.8	Interest-bearing loans	F-43
6.9	Finance leases	F-45
6.10	Derivative financial instruments	F-46
6.11	Provisions for pensions and similar obligations	F-47
6.12	Other provisions	F-47
6.13	Trade payables and other liabilities	F-48
7	Contingent liabilities and other financial obligations	F-48
8	Related party disclosures	F-49
9	Financial risk management objectives and policies	F-51
10	Segment reporting	F-56
11	Audit and advisory fees	F-58
12	Events after the balance sheet date	F-58

Consolidated income statement

For the period from 1 May 2011 to 30 April 2012

(Comparative period from 7 December 2010 to 30 April 2011)

in EUR k	*Note*	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Net revenue	*2.4+4.1*	**1,040,354**	**210,612**
Cost of materials		(535,541)	(167,799)
Thereof reversal of PPA inventory step-up	*3.0+6.3*	(68,961)	(82,553)
Gross Profit		**504,813**	**42,813**
Other operating income	*4.3*	11,276	4,511
Personnel expenses	*4.2*	(190,653)	(42,461)
Lease payments incl. costs for services		(162,902)	(33,698)
Marketing expenses		(58,119)	(13,427)
Other operating expenses	*4.4*	(84,641)	(36,478)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		(41,043)	(9,219)
Operating result		**(21,269)**	**(87,959)**
Finance costs	*4.5*	(99,526)	(16,949)
Finance income	*2.4+4.5*	192	1,473
Financial result		**(99,334)**	**(15,476)**
Loss for the period from ordinary operations		**(120,603)**	**(103,435)**
Loss before taxes		**(120,603)**	**(103,435)**
Income taxes	*2.4+5.*	46,273	20,504
Loss for the period		**(74,330)**	**(82,931)**

Consolidated statement of comprehensive income

For the period from 1 May 2011 to 30 April 2012

(Comparative period from 7 December 2010 to 30 April 2011)

Other comprehensive income	*Note*	*30 Apr 2012*	*30 Apr 2011*
Loss for the period		**(74,330)**	**(82,931)**
Exchange differences	6.7	271	(237)
Cash flow hedges	6.7 + 6.10 +9.0	2,417	(9,251)
Income taxes relating to components of OCI	5.0	(898)	2,788
OCI, net of income taxes		**1,790**	**(6,700)**
Total comprehensive income (total CI)		**(72,540)**	**(89,631)**
OCI = other comprehensive income			
CI = comprehensive income			

Consolidated balance sheet

As of 30 April 2012

in EUR k	*Note*	*30 Apr 2012*	*30 Apr 2011*
Assets			
Non-current assets			
Property, plant and equipment	*6.2*	165,931	161,999
Intangible assets—goodwill	*6.1*	951,537	951,537
Intangible assets—other	*6.1*	209,695	207,473
Derivative financial instruments	*6.10*	231	3,434
Deferred taxes	*5.*	4,904	1,879
Total non-current assets		**1,332,298**	**1,326,322**
Current assets			
Inventories	*6.3*	178,250	211,056
Trade receivables	*6.4*	721	937
Other assets	*6.5*	25,789	33,532
Derivative financial instruments	*6.10*	9,990	1,443
Cash and short-term deposits	*6.6*	55,157	45,742
Total current assets		**269,907**	**292,710**
Total assets		**1,602,205**	**1,619,032**
EQUITY			
Subscribed capital	*6.7*	99,298	99,298
Capital reserves	*6.7*	396,842	396,842
Cash flow hedge reserve	*6.7*	(4,944)	(6,463)
Translation reserve	*6.7*	34	(237)
Retained earnings	*6.7*	(157,261)	(82,931)
Total equity		**333,969**	**406,509**
LIABILITIES			
Non-current liabilities			
Subordinated shareholder loans	*6.8*	341,670	261,910
Liabilities to bank	*6.8*	537,953	558,390
Financial liabilities from finance lease	*6.9*	29,257	30,374
Provisions for pensions and similar obligations	*6.11*	2,124	2,020
Other provisions	*6.12*	7,214	1,800
Derivative financial instruments	*6.10*	23,964	3,050
Deferred taxes	*5.*	47,751	85,831
Total non-current liabilities		**989,933**	**943,375**
Current liabilities			
Liabilities to bank	*6.8*	57,020	31,808
Financial liabilities from finance leases	*6.9*	12,087	14,471
Other provisions	*6.12*	3,290	1,558
Trade payables	*6.13*	150,674	151,318
Other liabilities	*6.13*	42,463	39,224
Derivative financial instruments	*6.10*	10,904	15,589
Income tax liabilities	*5.*	1,865	15,180
Total current liabilities		**278,303**	**269,148**
Total equity and liabilities		**1,602,205**	**1,619,032**

Consolidated statement of changes in equity

Brought forward from prior year

in EUR k	*Note*	*Subscribed capital*	*Capital reserves*	*Cash flow hedge reserve*	*Translation reserve*	*Retained earnings*	*Total equity*
As of 7 Dec 2010		**88**	**—**	**—**	**—**	**—**	**88**
Capital increases		99,210	396,842				496,052
Exchange differences					(237)		(237)
Loss for the period						(82,931)	(82,931)
Movement on cash flow hedges	2.4			(6,463)			(6,463)
Total comprehensive income		—	—	(6,463)	(237)	(82,931)	(89,631)
As of 30 Apr 2011		**99,298**	**396,842**	**(6,463)**	**(237)**	**(82,931)**	**406,509**

For the period from 1 May 2011 to 30 April 2012

in EUR k	*Note*	*Subscribed capital*	*Capital reserves*	*Cash flow hedge reserve*	*Translation reserve*	*Retained earnings*	*Total equity*
As of 1 May 2011		**99,298**	**396,842**	**(6,463)**	**(237)**	**(82,931)**	**406,509**
Exchange differences					271		271
Loss for the period						(74,330)	(74,330)
Movement on cash flow hedges	2.4			1,519			1,519
Total comprehensive income		—	—	1,519	271	(74,330)	(72,540)
As of 30 Apr 2012		**99,298**	**396,842**	**(4,944)**	**34**	**(157,261)**	**333,969**

Consolidated statement of cash flows

For the period from 1 May 2011 to 30 April 2012

(Comparative period from 7 December 2010 to 30 April 2011)

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Operating activities		
Loss before taxes	(120,603)	(103,435)
Adjustments to reconcile profit or loss before taxes to net cash flows		
—Depreciation, amortization and impairment of property, plant and equipment and intangible assets	41,043	9,219
—Use of inventories that were measured at fair value in connection with the business combination	68,961	82,553
—Interest income	(192)	(1,473)
—Interest expenses	99,526	16,949
—Gain or loss on the disposal of non-current assets	785	782
—Change in provisions and pension provisions	2,394	(853)
—Change in other positions	(1,846)	0
Working capital adjustments		
—Change in trade and other receivables	7,049	6,325
—Change in inventories	(34,363)	(17,352)
—Change in trade and other payables	(9,034)	40,998
—Income taxes paid	(7,064)	(576)
Net cash from operating activities	**46,656**	**33,137**

Investing activities	*1 May 2011 30 Apr 2012*	*7 Dec 2010 30 Apr 2011*
Acquisition of subsidiaries net of cash acquired	0	(669,870)
Purchase of property, plant and equipment	(31,550)	(14,641)
Purchase of intangible assets	(3,711)	(452)
Interest received	192	245
Net cash used in investing activities	**(35,069)**	**(684,718)**
Financing activities		
Proceeds from capital increases	0	367,662
Proceeds from loans	71,000	760,260
Payment of finance leases	(16,552)	(3,986)
Payments for the purchase of financial instruments	(1,099)	(210)
Financial structuring costs	(2,776)	0
Repayment of loans	(10,500)	(417,394)
Interest paid	(42,068)	(9,040)
Net cash from financing activities	**(1,995)**	**697,292**
Net increase in cash and cash equivalents	**9,592**	**45,711**
Cash and cash equivalents at the beginning of the period	45,742	88
Change in cash and cash equivalents due to exchange differences	(177)	(57)
Cash and cash equivalents as at the balance sheet date	**55,157**	**45,742**

Notes to the consolidated financial statements for the period from 1 May 2011 to 30 April 2012

1. Information on the Company

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg, is a limited liability company with its registered office in Luxembourg, 41, Boulevard Prince Henri. The Company is registered in the Registre de Commerce et des Sociétés Luxembourg under note B 157325.

The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. relate to the fiscal year from 1 May 2011 to 30 April 2012. The company was established on 7 December 2010. As a result, the comparative period as of 30 April 2011 is the abbreviated fiscal year from 7 December 2010 to 30 April 2011.

On 8 February 2011, Salsa Retail Holding DebtCo 1 S.à r.l. acquired the Takko Group and the new group commenced operating activities on this date. The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. were authorized for issue by management resolution on 18 July 2012.

The Takko Group is a European apparel retail group focused on the value fashion segment and operating more than 1,700 stores across 16 countries in Western, Central and Eastern Europe. The Takko Group offers a wide range of private label apparel and accessories for women, men and children, primarily targeting young and price-conscious, yet fashion-oriented families. The home market of the Takko Group is Germany, where 60% of the stores are located. The Group also has a large presence in 15 other European markets, including Austria, the Netherlands, Czech Republic, Hungary, Romania, Poland, Slovakia and Italy. Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg, is the parent which prepares consolidated financial statements.

Ultimate parent of Salsa Retail Holding DebtCo 1 S.à r.l. is Salsa Retail Holding TopCo Sà.r.l., Luxembourg.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis of accounting, except for derivative financial instruments, which were measured at fair value. The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand (EUR k) except when otherwise indicated. Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

Statement of compliance with IFRSs

The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. are prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the EU. All International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) effective for fiscal year 2011/2012 as well as all interpretations by the International Financial Reporting Standards Interpretations Committee (IFRS IC), formerly International Financial Reporting Interpretations Committee (IFRIC), and interpretations of the Standing Interpretations Committee (SIC) were observed.

The balance sheet has been structured in accordance with IAS 1. Balance sheet disclosures break down into current and non-current assets and liabilities; some items are disclosed in the notes by maturity. The income statement is presented in accordance with the nature of expense method.

Basis of consolidation

The consolidated financial statements include the financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. and its subsidiaries as of 30 April of a given fiscal year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date on which the parent ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

All intragroup balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full.

Consolidated group

The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. include all German and foreign subsidiaries which Salsa Retail Holding DebtCo 1 S.à r.l. directly or indirectly controls. In accordance with IAS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A subsidiary is included in the consolidated financial statements as of the date on which control over the subsidiary is transferred to Salsa Retail Holding DebtCo 1 S.à r.l.

All direct and indirect subsidiaries of Salsa Retail Holding DebtCo 1 S.à r.l. are wholly-owned and neither joint ventures nor associates are included in the consolidated financial statements. All subsidiaries are fully consolidated.

In addition to Salsa Retail Holding DebtCo 1 S.à r.l. as the parent company, the consolidated financial statements as of 30 April 2012 include the following entities:

Name	*Registered Office*	*Equity interest in %*
Salsa Retail Holding DebtCo 2 S.à.r.l.	Luxembourg	100
Takko Fashion GmbH	Telgte	100
Takko Fashion G Eins GmbH	Telgte	100
Takko Fashion G Zwei GmbH	Telgte	100
Takko GP GmbH & Co. KG	Telgte	100
Takko Holding GmbH	Telgte	100
Takko Verwaltungs GmbH	Telgte	100
Takko Fashion Austria GmbH	Wien	100
Takko Fashion AT Holding GmbH	Wien	100
Takko Fashion AT Vermögensverwaltungs GmbH	Wien	100
Takko ModeMarkt GmbH	Wien	100
Takko Fashion (Schweiz) AG	Unterengstringen	100
Takko Holding Netherlands B.V.	Oldenzaal	100
Takko Fashion NL B.V.	Oldenzaal	100
Takko Nederland B.V.	Oldenzaal	100
Takko Fashion Belgium N.V.	Dendermonde	100
Takko Fashion Belgium 2 N.V.	Dendermonde	100
Takko Czech Holding s.r.o.	Brno	100
Takko Fashion s.r.o.	Brno	100
Takko Fashion Slovakia s.r.o.	Senec	100
Takko Fashion International S.R.L.	Bucuresti	100
Takko Fashion Kft.	Budaörs	100
Takko Fashion Polska Sp. Z.o.o.	Wroclaw	100
Takko Fashion d.o.o.	Ljubljana	100
TK-Fashion OÜ	Tallinn	100
UAB “TK-Fashion”	Kaunas	100
Takko Fashion Croatia d.o.o.	Zagreb	100
Takko Fashion Italia S.r.l.	Pero	100
Takko Fashion Serbia d.o.o.	Beograd	100

The fiscal year of all subsidiaries included in the consolidated financial statements is from 1 May to 30 April of the following year. Effective 1 May 2011, Takko Fashion AT Business Services GmbH was merged with Takko ModeMarkt GmbH via a downstream merger. Takko Fashion Belgium 2 N.V. was established effective 5 March 2012.

2.2 Accounting policies

All standards effective as of 30 April 2012 were applied in preparing the financial statements. The accounting policies were applied consistently in the financial statements.

The International Accounting Standards Board (“IASB”) and the International Financial Reporting Standards Interpretations Committee (“IFRS IC”) issued the accounting standards listed below in prior years. These standards have been endorsed by the EU as part of the endorsement project and became effective for fiscal year 2011/2012:

- IAS 32, “Financial Instruments: Presentation” (amendments concerning the classification of rights)

- IFRS 1, "First-time Adoption of International Financial Reporting Standards" (amendments introducing additional exemptions)
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" (new interpretation)
- IAS 24 R, "Related Party Disclosures" (revision of basic definitions and of the disclosure requirements for government-related entities)
- IFRIC 14/IAS 19, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (amendments concerning prepayments of minimum funding requirements)
- Improvements to IFRSs 2010

The following provisions which are relevant for the Group as well as their impact on these consolidated financial statements are outlined below:

Amendment to IAS 24, "Related Party Disclosures"

The revised IAS 24 was published by the IASB in November 2009 and is effective in fiscal years beginning on or after 1 January 2011. This amendment revised the definition of a related party and introduced a partial exemption of disclosure requirements for government-related entities. The amendments have not changed the Group's accounting and had no effect on related party disclosures in these financial statements.

Improvements to IFRSs 2010

In May 2010, the IASB published its third collection of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments are generally effective for periods beginning on or after 1 January 2011. Amendments to IFRS 3, IAS 27, IAS 28 and IAS 31 are effective for periods beginning on or after 1 July 2010. The amendments do not have any significant effect on the consolidated financial statements.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in question in future periods.

Judgments

In the process of applying the entity's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements. Judgments that involve estimations were not taken into account.

Finance lease obligations—Group as lessee

The Group has concluded leases for commercial property and furniture, fixtures and office equipment. Based on an evaluation of the terms and conditions of the leases, the Group has determined that it retains the significant risks and rewards for some of the leases. As a result, the Group classified and recognized these agreements as finance leases.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. The calculation of the amount of the deferred tax assets requires material judgment on the part of management as regards the amount and timing of the future taxable income. For further details, see note 5.

Preferred Equity Certificates

Preferred equity certificates are assumed to be repaid within 5 years of issue (for the one issued in prior year) and with 4 years (for the one issued in current year), hence the fair value of these financial instruments has been calculated using this assumption.

Estimates and assumptions

Estimates generally relate to the determination of useful lives, the assessment of the impairment of intangible assets with indefinite useful lives and goodwill and the measurement of inventories and provisions. Due to the use of these estimates and assumptions, the actual figures may differ in some cases. In such cases, adjustments are recognized in profit or loss at the time new information becomes available.

The key assumptions concerning the future and other major sources of uncertainty in estimations on the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of non-financial assets

On each balance sheet date, the Group assesses whether there is an indication that a non financial asset may be impaired. Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once a year and whenever there is an indication of impairment. Other non financial assets are tested for impairment if there is an indication that the carrying amount exceeds the recoverable amount.

Estimating the value in use requires management to make an estimate of the future cash flows expected to be derived from the asset or cash-generating unit and apply an appropriate discount rate to determine the present value of those cash flows. See note 6.1 for more details, including a sensitivity analysis of significant assumptions.

Pensions

The expense from post-employment defined benefit plans is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, the expected return on plan assets, future wage and salary increases, mortality rates and future pension increases. As these plans are of a long-term nature, such estimates are uncertain. For further details, see note 6.11.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.4 Summary of significant accounting policies

Foreign currency translation

The consolidated financial statements are presented in Euros, which is the parent's functional currency and the Group's presentation currency. Each entity in the Group determines its own functional currency. Items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are translated into the functional currency at the spot rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate on the reporting date. All differences are recognized in profit or loss. Differences on long-term intragroup receivables accounted for as a net investment in a foreign operation are recognized directly in equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. The consolidated financial statements contain no separate financial statements from high-inflation countries.

Non-monetary items are translated using the exchange rates on the transaction date.

The financial statements of the subsidiaries are translated into the group currency on the basis of the functional currency using the modified closing rate method. If the modified closing rate method is applied, all assets and liabilities are translated at the closing rate and all income and expenses at the average rate for the period. Equity items are translated at the historical rate. Exchange differences are recognized in the translation reserve directly in equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. The following exchange rates were used to translate the significant foreign currencies used in the Group.

		Closing rate on 30 Apr 2012	Average rate for 2011/12
Swiss Francs	CHF	1,2018	1,2058
Czech Koruny	CZK	24,8670	24,8049
Hungarian Forint	HUF	286,7500	287,6717
Romanian New Lei	RON	4,4095	4,2928
Polish Zloty	PLN	4,1709	4,2076
Lithuanian Litas	LTL	3,4528	3,4528
Croatian Kunas	HRK	7,5030	7,4879
Serbian Dinar	RSD	111,9150	103,8323

		Closing rate on 30 Apr 2011	Average rate for 2010/11
Swiss Francs	CHF	1,2867	1,2932
Czech Koruny	CZK	24,2230	24,3546
Hungarian Forint	HUF	264,5000	269,1839
Romanian New Lei	RON	4,0780	4,1606
Polish Zloty	PLN	3,9356	3,9800
Lithuanian Litas	LTL	3,4528	3,4528
Croatian Kunas	HRK	7,3615	7,3876
Serbian Dinar	RSD	99,2093	102,6323

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment, when that cost is incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

	Years
Warehouses	60
Administrative buildings	50 to 60
Buildings on third-party land	8*
Furniture, fixtures and office equipment/store fittings	3 to 20

* Contractual leases with terms of 8 years or less

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the asset is derecognized.

The residual values, useful lives and depreciation methods used are reviewed and adjusted as necessary as at each fiscal year-end.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Acquisition-related transaction costs are recognized as an expense and shown under other operating expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill attributable to the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets not acquired as part of a business combination are initially recognized at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. In subsequent periods, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. With the exception of capitalizable development costs, costs for internally generated intangible assets are recognized in profit or loss in the period in which they are incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each fiscal year-end. The required changes to the amortization method over the useful life due to changes in the expected useful life or in the expected consumption of the future economic benefits of the asset are treated as changes to estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement under amortization, depreciation and impairment.

Intangible assets with indefinite useful lives are tested for impairment at least once a year either individually or at the cash-generating unit level. These intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be reasonable. Where applicable, indefinite useful lives are changed to finite useful lives on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount and are recognized in profit or loss in the period in which the asset is derecognized.

Intangible assets with finite lives are amortized on a straight-line basis over the following useful lives:

	Years
Software	3 to 5

A summary of the policies applied to the Group's intangible assets with indefinite useful lives is as follows:

	"Takko" and "1982" brands
Useful life	Indefinite
Amortization method	No amortization
Internally generated or acquired	Acquired

The "Takko" and "1982" brands have indefinite useful lives as they are not subject to the limitations of a license or user agreement. As a result, the Group has unlimited use of the brands on a worldwide scale.

Impairment of non-financial assets

On each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

With the exception of goodwill, assets are assessed at each balance sheet date as to whether there are indications that an impairment loss previously recognized no longer exists or has decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Any reversal is included in the profit or loss for the period.

The following criteria must also be taken into account for certain assets:

Goodwill

Goodwill is tested for impairment on each balance sheet date and at least once a year. A test is also performed if circumstances indicate that the value may be impaired.

Impairment is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group tests goodwill for impairment annually as at the relevant balance sheet date.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment on each balance sheet date and at least once a year, either individually or at the level of the cash-generating unit, as appropriate. A test is also performed if circumstances indicate that the value may be impaired.

Investments and other financial assets

Financial assets within the meaning of IAS 39 are classified as financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. Financial assets are initially recognized at fair value.

In the case of financial assets are not classified at fair value through profit or loss, directly attributable transaction costs are also recognized.

Financial assets are allocated to their respective categories upon initial recognition. Any permitted or necessary reclassifications are done as at the fiscal year-end.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are financial guarantee contracts or are designated and effective hedging instruments. Gains or losses from financial assets held for trading are recognized in profit or loss.

The Group determines whether embedded derivatives should be accounted for separately from the host contract when it first becomes party to the contract. Subsequent reassessment is only permitted if there is a substantial change in the terms of the contract that significantly modifies the cash flows that would otherwise have arisen from the contract.

Held-to-maturity investments

The Group has no held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment and including discounts and premiums paid upon acquisition as well as transaction costs and fees which are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity. If such a financial asset is derecognized or impaired, the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. As in the prior year, the Group has no available-for-sale investments.

Fair value

For investments that are actively traded in organized financial markets, fair value is determined by the quoted market (bid prices) as at the balance sheet date. The fair value of investments that are not quoted on an active market is determined using measurement models. These measurement models include the use of recent arm's length transactions between knowledgeable, willing independent parties, reference to the current fair value of another financial instrument which is substantially the same and the discounted cash flow analysis, etc.

Amortized cost

Held-to-maturity investments and loans and receivables are measured at amortized cost, which is determined using the effective interest method less any impairment and including discounts and premiums paid upon acquisition as well as transaction costs and fees which are an integral part of the effective interest rate.

Impairment of financial assets

The Group tests financial assets or groups of financial assets for impairment at least at each reporting date.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognized directly in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. However, the new carrying amount of the asset may not exceed the amortized cost at the date of reversal. The reversal is recognized in profit or loss.

Available-for-sale investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (less any principal payments and amortization) and its current fair value (less any impairment loss previously recognized in profit or loss), is transferred from the reserves to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale are not recognized in the income statement. Reversals of impairment losses on debt instruments classified as available for sale are recognized in profit or loss if the increase in the fair value of the instrument can be objectively attributed to an event occurring after the impairment loss was recognized.

Inventories

Inventories are measured in accordance with IAS 2 at the lower of cost or net realizable value. Sales and other risks are taken into account in the calculation of the net realizable value where necessary. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Consumables and supplies are recognized at the lower of cost or net realizable value.

Cash and cash equivalents

Cash and cash equivalents and short-term deposits in the balance sheet comprise cash on hand and bank balances with an original maturity of less than three months.

Cash and cash equivalents in the consolidated statement of cash flows are classified using the above definition.

Financial liabilities

Interest-bearing loans

All loans are initially recognized at fair value net of transaction costs directly associated with the borrowing. They are not measured at fair value through profit or loss. Preferred equity certificates are regarded as subordinated shareholder loans. At the date of issue, the fair value of the preferred equity certificates is estimated using the prevailing market interest rate.

After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they have been designated as effective hedging instruments. Gains or losses on financial liabilities held for trading are recognized in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive the cash flows of a financial asset expire.

Financial liabilities

A financial liability is derecognized if the contractual obligation underlying the liability is discharged or canceled or if it expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Pensions and other post-employment benefits

Payments for defined contribution plans are recognized as expenses at the time the employees render the service. These payments include contributions to statutory pension insurance and, in particular, direct insurance policies. The Group does not have any other benefit obligations beyond the payment of contributions. Current contributions are recognized as an expense in the relevant year.

The Group has a defined benefit plan for a limited group of employees. These benefits are unfunded. The obligation under the defined benefit plan is determined separately for each beneficiary using the projected unit credit method. Actuarial gains and losses are recognized immediately in profit or loss. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.

Leases

Whether an arrangement contains a lease is determined on the basis of the economic substance of the arrangement at the time of conclusion and requires an assessment as to whether fulfillment of the contractual arrangement is dependent on the use of a certain asset or assets and whether the arrangement provides for the right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized immediately in profit or loss.

If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the leased asset recognized is depreciated over the shorter of the estimated useful life of the asset and its lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Revenue recognition

Revenue is recognized when it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. It is measured at the fair value of the consideration received, excluding discounts, rebates, and VAT or duty. The following recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. This occurs upon handover of the goods at the sales counter.

Interest income

Interest income is recognized as the interest accrues (using the effective interest rate, i.e., the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Royalties and commissions

Royalties from franchise and commission transactions are recognized when the significant risks and rewards from ownership of the goods have passed from the franchise partner to the buyer. This occurs upon transfer of the risk at the collection warehouse at the franchise partner or at the sales counter in Takko stores in the case of commission transactions. The Takko Group generates significant commission from the "beeline" range of products. This net income is recognized net of expenses.

Taxes

Current income taxes

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. They are calculated based on the tax rates and tax laws applicable as at the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the liability method for temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for group financial reporting purposes.

Deferred tax liabilities and assets are recognized for all taxable temporary differences, except:

- where the deferred tax assets/liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are also recognized for unused tax credits when it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which at least part of the deferred tax asset can be utilized. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Future changes to tax rates must be taken into account as at the balance sheet date if material preconditions for validity have been met within the scope of a legislative process.

Deferred taxes relating to items recognized directly in equity or other comprehensive income are also recognized in equity or other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenue, expenses and assets are generally recognized net of the amount of VAT (sales taxes) except:

- if the VAT incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable
- if receivables and liabilities are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Derivative financial instruments and hedging relationships

The Group uses derivative financial instruments such as foreign exchange forward contracts and options to hedge foreign exchange rate risk as well as interest rate swaps and caps to hedge interest rate risk. On the date of their inception and also in subsequent periods, these derivative financial instruments are recognized at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognized directly in profit or loss.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturities. The fair value of the interest rate caps and the embedded floor are calculated by reference to market interest rate curves and market volatilities for contracts with similar maturities. The fair value of interest rate swap contracts and foreign exchange options is determined by reference to market values for similar instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows. The hedges are assessed on an ongoing basis to ascertain whether they have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

For hedge accounting purposes, hedges are classified as cash flow hedges if they hedge the exposure to variability in cash flows that is attributable to the particular risk associated with a recognized asset or liability or with a highly probable forecast transaction or the currency risk of an unrecognized firm commitment.

Cash flow hedges

The effective portion of the gain or loss on a hedging instrument is recognized directly in equity, while the ineffective portion is recognized immediately in profit or loss. Amounts recognized in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged finance income or finance expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, cancelled or exercised without replacement or rollover of a hedging instrument into another hedging instrument, or it no longer qualifies for hedge accounting, the amounts previously recognized will remain separately in equity until the forecast transaction occurs or the firm commitment arises.

The Group uses foreign exchange forward contracts and options to hedge its currency risk from forecast transactions. The Group also uses payer swaps and interest rate caps to hedge the interest rate risk from floating-rate loans.

2.5 Standards issued but not yet effective

In addition to the new accounting standards and interpretations published by the IASB and IFRS IC which are effective, the following other standards and interpretations have also been published, some of which have already been endorsed by the EU, which are not yet effective. Use was not made of the option to adopt the standards voluntarily at an earlier date in these financial statements where the respective standard or interpretation allows early adoption.

The following revised standards have already been endorsed by the EU:

Amendments to IFRS 7, "Financial Instruments: Disclosures"

IFRS 7 was issued by the IASB in October 2010 and is effective for reporting periods beginning on or after 1 July 2011. The amendments will allow users of financial statements to improve their understanding of transfers of financial assets (for example, securitizations), including understanding the possible effects of risks that remain with the entity that has transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfers are undertaken around the end of a reporting period. First-time application is expected to give rise to additional disclosures in the notes to the consolidated financial statements in the future.

Amendments to IAS 19, "Employee Benefits"

The amendments to IAS 19, "Employee Benefits," were issued by the IASB in June 2011 and become effective for fiscal years beginning on or after 1 January 2013. The amendments eliminate the option to defer the recognition of gains and losses, known as the "corridor method." Instead, all actuarial gains and losses must be recognized in other comprehensive income (OCI) as they occur. The amendments also require additional disclosures. The effects on recognition and measurement are still being analyzed.

Amendments to IAS 1, "Presentation of Financial Statements—Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1, "Presentation of Financial Statements," were issued by the IASB in June 2011. They require entities to group together items within OCI according to whether they may be reclassified to the profit or loss section of the income statement. The amendments become effective for fiscal years beginning on or after 1 July 2012. They will affect the Group's presentation, but not its accounting.

The following (revised) standards have not yet been endorsed by the EU:

- IFRS 9, "Financial Instruments"
- IFRS 10, "Consolidated Financial Statements"
- IFRS 11, "Joint Arrangements"
- IFRS 12, "Disclosure of Interests in Other Entities"
- IFRS 13, "Fair Value Measurement"
- IAS 27 R, "Separate Financial Statements" (revised 2011)
- IAS 28 R, "Investments in Associates and Joint Ventures" (revised 2011)
- Amendments to IAS 12, "Income Taxes—Recovery of Underlying Assets"
- Amendments to IFRS 7 and IAS 32, "Offsetting a Financial Asset and a Financial Liability"
- Amendments to IFRS 1—Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendments to IFRS 1— Government Loans
- IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"
- Improvements to IFRS 2011
- Amendments to IFRS 10, 11, 12

Only those standards and interpretations which could be relevant for the Group are explicitly described below:

- IFRS 9 reflects the first phase of the IASB's work on the replacement of IAS 39 and entails the classification and measurement of financial assets and financial liabilities. If endorsed by the EU, the standard will be effective for periods beginning on or after 1 January 2015. Possible effects of IFRS 9 on the Group's net assets, financial position and results of operations will be analyzed as soon as the two project phases of IFRS 9 remaining at present are completed.

- In May 2011, the IASB issued IFRS 10, “Consolidated Financial Statements,” which replaces the provisions of IAS 27, “Consolidated and Separate Financial Statements,” relating to group financial reporting and SIC-12, “Consolidation—Special Purpose Entities.” IFRS 10 establishes a uniform concept of control which applies to all entities including special purpose entities.

The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The standard is effective for annual periods beginning on or after 1 January 2013. The effects on recognition and measurement are still being analyzed by the Group.

- In May 2011, the IASB issued IFRS 12, “Disclosure of Interests in Other Entities.” IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31, “Interests in Joint Ventures,” and IAS 28, “Investments in Associates.” These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. The standard includes a number of new disclosure requirements. For example, an entity has to disclose the significant judgments made when assessing whether it controls an investee. The standard is effective for annual periods beginning on or after 1 January 2013. The first-time application of this standard in the financial statements is expected to give rise to additional disclosures in the notes.
- In May 2011, the IASB issued IFRS 13, “Fair Value Measurement.” IFRS 13 does not extend fair value measurement, but provides guidance on how to measure fair value when fair value is required or permitted by other IFRSs. The standard defines “fair value” in the context of IFRSs as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). It extends disclosures related to fair value measurements to help financial statement users understand the valuation techniques used to develop fair value measurements and the effects of fair value measurements on profit or loss. The standard is effective for annual periods beginning on or after 1 January 2013. The effects on recognition and measurement are still being analyzed by the Group.
- In December 2011, the IASB issued an amendment to IAS 32, “Financial Instruments: Presentation,” that clarifies the offsetting criteria for financial instruments. This amendment is intended to address inconsistencies in the practical offsetting of financial assets and financial liabilities. The amendment explains the meaning of “currently has a legally enforceable right to set-off.” Moreover, it clarifies which gross settlement mechanisms can be regarded as net settlement within the meaning of the standard. This amendment is to be retrospectively applied for fiscal years beginning on or after 1 January 2014. Early adoption is permitted. In this context, IFRS 7, “Financial instruments: Disclosures,” was amended concerning the offsetting of financial instruments. The amendments can affect the amounts of financial assets and financial liabilities reported in the consolidated balance sheet. An analysis is still being performed.
- On 17 May 2012, the IASB issued the Annual Improvements 2011. The amendments will affect the standards IFRS 1, IAS 1, IAS 16, IAS 32 und IAS 34. An analysis is still being performed.

All other (revised) standards and interpretations described above which are not yet effective are not expected to have a significant effect on the Group’s net assets, financial position and results of operations.

3 Business combinations

On 8 February 2011 Salsa Retail Debtco 1 S.à r.l., Luxembourg, (the “Company”) acquired the Takko business from Advent Vision S.à r.l., Luxembourg. Specifically, this business combination included the acquisition of all of the shares in the following entities:

a) Takko Fashion G Eins GmbH via purchase vehicle Takko Fashion GmbH, Germany;

b) Takko Fashion AT Holding GmbH via purchase vehicle Takko Fashion Austria GmbH, Austria; and

c) Takko Fashion NL B.V. via purchase vehicle Takko Holding Netherlands B.V., Netherlands.

The consideration transferred came to EUR 962.2m. This amount includes the consideration transferred for the shares amounting to EUR 759.8m and the consideration transferred for a shareholder loan amounting to EUR 202.4m.

The goodwill of EUR 951.5m comprises the fair value of anticipated growth prospects and the market potential from the business combination. The fair values of the individual identifiable assets and liabilities at the acquisition date are presented below:

in EUR k	*Fair value at closing date*
Assets	
Property, plant and equipment	154,396
Intangible assets—other	4,083
Trademarks	203,263
Other assets	27,950
Inventories	276,000
Trade receivables	1,056
Cash and short-term deposits	89,940
Deferred taxes	2,087
Derivative financial instruments	2,985
	761,760
Liabilities	
Liabilities to bank	417,394
Financial liabilities from finance leases	44,604
Provisions for pensions and similar obligations	2,160
Other provisions	4,045
Trade payables	110,654
Other liabilities	45,343
Income tax liabilities	17,803
Deferred taxes	109,094
	751,097
Net assets	**10,663**
Goodwill	**951,537**
Consideration transferred	**962,200**
thereof	
portion of the consideration consisting of cash and cash equivalents	759,810
amount of cash and cash equivalents in the acquired business	(89,940)
aggregate cash flow arising from obtaining control of the Takko business	669,870

* The fair value of the acquired trade receivables amounts to EUR 1,056k. The gross contractual receivable amounts to EUR 1,861k. EUR 805k of the contractual cash flows are not expected to be collected.

In connection with contingent liabilities as of the acquisition date amounting to EUR 3.5m a corresponding indemnification asset has been considered in line with the Share Purchase Agreement. As no risk is pending anymore, the liability and the asset have been reversed.

The analysis for the purpose of allocating the purchase price to significant tangible and intangible assets and liabilities was performed in accordance with international accounting standards. Pursuant to IFRS 3 in conjunction with IAS 38 the “Takko” and “1982” brands were identified as marketing-related intangible assets; the income approach was used as the valuation technique; the relief from royalty method was used as the valuation method; asset values of EUR 189.8m (“Takko”) and EUR 13.5m (“1982”) were determined. These assets have an indefinite useful life as they are internally generated brands within the Takko Group.

The fair value of inventories was determined using the average expected margins of the purchase performance. A fair value of EUR 276m was determined, in contrast to a previous carrying amount of EUR 124.5m, which reflects a fair value step up amounting to EUR 151.5m. For the fiscal year from 1 May 2011 to 30 April 2012 an amortization of this step up based on the inventory turnover for the respective period amounting to EUR 68.9m (prior year: EUR 82.6m) was recognized within cost of materials.

With regard to liabilities, EUR 88.4m was identified as a deferred tax liability that is required to be recognized. The deferred taxes were calculated on the above mentioned PPA adjustments.

For all other balance sheet items there was no significant difference between the fair value and carrying amount.

Transaction costs amounting to EUR 16.6m have been recognized as an expense and were included in other operating expenses.

4 Notes to the income statement

4.1 Net revenue

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Net revenue from the sale of goods	1,032,410	206,749
Net revenue from commission and partnership transactions	7,944	3,863
	1,040,354	**210,612**

Net revenue from the sale of goods comprises the sale of apparel in the Group's retail stores. Net revenue from commission and partnership transactions mainly relates to the net income from the sale of "beeline" goods.

4.2 Personnel expenses

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Wages and salaries	156,317	35,318
Social security costs	34,336	7,143
	190,653	**42,461**

In the fiscal year, contributions to the statutory pension insurance system in Germany amounted to EUR 11.8m. This is a defined contribution plan.

4.3 Other operating income

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Cost reimbursements/insurance indemnity payments	4,588	723
Income from the reversal of provisions/bad debt allowances	2,631	2,090
Rental from subleasing	1,418	325
Foreign exchange gains	0	72
Miscellaneous	2,639	1,301
	11,276	**4,511**

4.4 Other operating expenses

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Logistics expenses such as freight/vehicle costs/third-party services, including wages for contract workers	24,570	4,214
Fees for letters of credit	8,767	2,184
IT and telephone costs	7,617	1,632
Expenses for maintenance/renovation	6,480	2,468
Consulting fees	5,080	1,512
Bank charges and fees	5,048	1,025
Transaction and reorganization costs	4,881	17,808
Incidental personnel expenses	4,696	1,368
Travel and entertainment expenses	3,488	868
Contributions, fees and dues	2,757	751
Foreign exchange losses	2,727	0
Brokerage commission	1,302	709
Miscellaneous	7,228	1,939
	84,641	**36,478**

4.5 Financial result

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Finance costs:		
—Senior term loans	(39,782)	(8,684)
—Derivatives valuation	(23,659)	0
—Shareholder loans	(19,761)	(3,753)
—Effects from amortized costs	(4,960)	(985)
—Accumulating interest of liabilities and provisions	(4,302)	0
—Finance leases	(3,008)	(805)
—Revolving facility	(2,419)	(315)
—Interest rate hedges	(1,620)	(423)
—Other finance costs	(15)	(1,984)
	(99,526)	**(16,949)**
Finance income		
—Interest income from bank balances/deposits	80	26
—Interest rate hedges	0	90
—Other interest income	112	1,357
	192	**1,473**
	(99,334)	**(15,476)**

5 Income taxes

Taxes on income paid or due as well as deferred taxes are stated as income taxes.

The tax expense and income attributable to income taxes breaks down by origin as follows:

Consolidated income statement:

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Deferred income tax—income	42,002	20,273
Current income tax—income	4,271	231
Income taxes	46,273	20,504

Consolidated statement of comprehensive income:

in EUR k	*30 Apr 2012*	*30 Apr 2011*
Deferred income taxes on items recognized directly in other comprehensive income:		
Deferred taxes on net gains/(losses) from the revaluation of cash flow hedges	(898)	2,788
Tax (expense)/income recognized in other comprehensive income	**(898)**	**2,788**

The expected income concerning the income tax which would have arisen if the group tax rate of 30% had been applied in determining the IFRS profit or loss before taxes can be reconciled to the income taxes presented in the income statement as follows:

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
IFRS loss before income taxes	120,603	103,435
Group tax rate in %	30,0%	30,0%
Expected tax income	**36,181**	**31,031**
Unrecognized deferred taxes on losses/carry-forwards arising in the fiscal year	(7,924)	(4,027)
Recognized deferred taxes on losses/carry-forwards	30,832	0
Use of tax loss carryforwards on which deferred tax assets were not previously recognized	994	0
Non-deductible expenses	(10,896)	(6,214)
Tax effect relating to other periods	(1,822)	0
Other effects	(1,092)	(286)
Tax income as presented in the income statement	**46,273**	**20,504**

As a significant portion of the Takko Group's taxable income is generated in Germany, the group tax rate of 30% is based on German tax legislation.

Non-deductible expenses primarily relate to the interest expenses and lease cost. In the previous year, non-deductible expenses relate also to transaction and finance cost.

As of the balance sheet date, deferred tax were recognized on corporate income tax loss carry-forwards in Germany in an amount of EUR 196.7m. Therefore, EUR 31.2m were recognized as deferred tax income in the income statement. The following tax loss and interest carry-forwards were not recognized as it was not sufficiently probable that the loss and interest carry-forwards could be utilized:

in EUR m	*30 Apr 2012*	*30 Apr 2011*
Germany		
Corporate income tax	15.5	167.4
Trade tax	11.2	1.7
Interest carry-forward	34.1	27.3
Other European countries	39.9	23.3

An originally at closing date 8 February 2011 scheduled fiscal restructuring was not executed. Therefore, tax loss carry forwards are still usable. The loss carry forwards in Germany including the interest carry forwards can be utilized for an indefinite period.

The unused loss carry-forwards in the other countries were mainly from Romania, Austria, Hungary and Poland.

Deferred taxes arising from temporary differences and tax loss carry-forwards are presented below:

FY 2010/2011:

in EUR k	*Deferred tax assets*	*Deferred tax liabilities*	*deferred tax expense (+)/ income (-) affecting net income*
Temporary Differences			
Property, plant and equipment	0	(16,882)	583
Intangible assets	0	(63,286)	2,011
Inventories	0	(18,701)	(24,747)
Derivative financial instruments	4,662	(560)	(1,861)
Other assets	231	0	(226)
Liabilities to bank	0	(2,077)	2,077
Financial liabilities from finance leases	13,406	0	(75)
Other liabilities	0	(744)	1,965
	18,298	(102,250)	(20,273)
	18,298	(102,250)	
Offsetting	(16,419)	16,419	
	1,879	(85,831)	

FY 2011/2012:

in EUR k	*30 Apr 2012 Deferred tax assets*	*30 Apr 2012 Deferred tax liabilities*	*2011/2012 deferred tax expense (+)/ income (-) affecting net income*
Temporary Differences			
Property, plant and equipment	0	(16,602)	(280)
Intangible assets	0	(71,214)	7,928
Inventories	2,228	0	(20,929)
Derivative financial instruments	9,649	(3,024)	(3,422)
Other assets	0	(195)	426
Subordinated shareholder loans	0	(458)	458
Liabilities to bank	0	(10,021)	7,944
Financial liabilities from finance leases	12,362	0	1,044
Other liabilities	3,304	0	(4,048)
	27,543	(101,514)	(10,879)
Deferred tax loss / interest carry forwards	54,754		54,754
Unused tax loss / interest carry forwards	(23,631)		(23,631)
Used tax loss / interest carry forwards	31,123		(31,123)
	58,667	(101,514)	
Offsetting	(53,763)	53,763	
	4,904	(47,751)	

Deferred tax assets and liabilities break down as follows:

in EUR k	*30 Apr 2012*	*30 Apr 2011*
Deferred tax assets	4,904	1,879
Deferred tax liabilities	47,751	85,831
Net position of deferred tax liabilities	**42,847**	**83,952**

6 Notes to the balance sheet

6.1 Intangible assets

The development of intangible assets in the prior year is presented in the following table:

in EUR k	*"Takko" brand*	*"1982" brand*	*Goodwill*	*Other concessions and licenses*	*Total*
As of 7 December 2010	0	0	0	0	0
Change in the consolidated group	189,801	13,462	951,537	4,083	1,158,883
Additions	0	0	0	452	452
Amortization/impairment	0	0	0	(325)	(325)
Net carrying amount	**189,801**	**13,462**	**951,537**	**4,210**	**1,159,010**
As of 30 April 2011					
Cost	189,801	13,462	951,537	4,535	1,159,335
Amortization/impairment	0	0	0	(325)	(325)
Net carrying amount	**189,801**	**13,462**	**951,537**	**4,210**	**1,159,010**

The development of intangible assets in the fiscal year is presented in the following table:

in EUR k	*"Takko" brand*	*"1982" brand*	*Goodwill*	*Other concessions and licenses*	*Total*
As of 1 May 2011	189,801	13,462	951,537	4,210	1,159,010
Additions	0	0	0	3,711	3,711
Amortization/impairment	0	0	0	(1,489)	(1,489)
Net carrying amount	**189,801**	**13,462**	**951,537**	**6,432**	**1,161,232**
As of 30 April 2012					
Cost	189,801	13,462	951,537	7,921	1,162,721
Amortization/impairment	0	0	0	(1,489)	(1,489)
Net carrying amount	**189,801**	**13,462**	**951,537**	**6,432**	**1,161,232**

The "Takko" and "1982" brands have an indefinite useful life as they are not subject to the limitations of a license or user agreement. The "Takko" and "1982" brands are allocated to Takko Holding GmbH (Cash Generating Unit: Germany). The Group has unlimited use of the brand on a worldwide scale.

Goodwill acquired in the business combination with an indefinite useful life was allocated to the cash-generating units for the purpose of impairment testing. The cash-generating units of the Takko Group were grouped by assigned managerial responsibilities for certain geographic regions. Those represent the Group's key operating segments and are subject to monitoring by management. The pro rata carrying amount of goodwill attributable to the operating segments as of 30 April 2012 and 30 April 2011 is presented below:

(in EUR k)	*Pro rata carrying amount of goodwill*
Germany	845,576
Austria/Switzerland	36,059
Czech Republic/Slovakia	17,700
Netherlands/Belgium	39,373
Hungary/Croatia/Slovenia	4,829
Romania	6,446
Poland/Estonia/Lithuania	1,554
Total	**951,537**

The impairment test for trademarks was conducted applying the relief from royalty method and taking into account the revenue assumptions and the discount rate which were also used for performing the goodwill impairment test. The impairment test for goodwill was based on fair value less costs to sell. Cash flow projections for the cash-generating units were used as a basis for the analysis. A 10-year forecast of the anticipated performance of the cash-generating units has been developed on the basis of the detailed budget approved by management for fiscal year 2012/2013 and on the basis of comprehensive strategic analyses. The extrapolation of the performance of the cash-generating units for the years 11 to 15 served to reconcile the cash flows to be used in the terminal value calculation.

Management based its assumptions for the cash flow projections in relation to revenue forecasts, gross profit margins and the development of the store portfolio, market shares and growth rates on past experience and market expectations. This involved compiling and analyzing comprehensive market data relating to market potential and price developments in sales and purchases as well as forecasting and optimizing cost developments at stores and for headoffice functions. For the cash flow projections, the following discount rates after taxes, determined on the basis of a WACC model, were used for each individual cash-generating unit:

Discount rate after taxes

	FY 2011/12	**FY 2010/11**
Germany	8.50%	8.50%
Austria/Switzerland	8.50%/8.50%	8.50%/8.50%
Czech Republic/Slovakia	9.50%/9.50%	9.50%/9.50%
The Netherlands/Belgium	8.50%/8.50%	8.50%/8.50%
Hungary/Croatia/Slovenia	11.60%/10.50%/9.00%	10.50%/10.50%/9.00%
Romania	11.50%	11.50%
Poland/Estonia/Lithuania	10.50%/9.50%/11.50%	10.50%/9.50%/11.50%

The growth rate in the perpetual annuity was set at 0% (prior year: 0%).

Based on the underlying assumptions, the goodwill and trademark impairment tests as of 30 April 2012 did not indicate a requirement of impairment.

Sensitivity to changes in assumptions

The cash flow projections assume continuous revenue growth, based on the expansion of the store portfolio and the associated increase in sales volumes, with the ability of the market to absorb these volumes according to market analyses. If the actual results differ significantly from these assumptions, future impairment cannot be ruled out leading to an impairment of intangible assets with indefinite useful lives.

Trademarks

With respect to the trademarks "Takko" and "1982" the following adverse changes in the assumptions about WACC or revenue development would result in an impairment loss:

A reasonably possible increase in WACC of 0.3%-points respectively 1.2%-points would lead to an impairment loss for the trademark "Takko" respectively "1982."

A reasonably possible under-performance of expected revenues in comparison with the business plan of -4% would lead to an impairment loss for the trademark "Takko." There is no impairment risk for the trademark "1982" in case of any under-performance of expected revenues in comparison with the business plan of up to -15%.

Goodwill

With respect to goodwill any substantially adverse change in the assumptions about WACC or revenue development would result in an impairment loss for some cash-generating units as presented below.

For all other cash-generating units management believes that no reasonably possible change in the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

A reasonably possible increase in WACC of 1.0 %-points would lead to an impairment loss for the cash-generating unit The Netherlands/Belgium. For the cash-generating unit Hungary/Croatia/Slovenia, the estimated recoverable amount is close to its carrying value in case of a WACC increase of 1.0%-points; any further adverse change in WACC would result in an impairment loss for this unit, too.

The apparel retail market was suffering from disadvantageous weather patterns in combination with continuous public discussions about the economic crisis in Europe in 2011. The consumer climate is expected to show a further downturn in 2012 considering the overall economic environment in Europe. Taking risk into careful consideration, management has based its growth assumptions on moderate improvements in like-for-like revenues for existing stores and on a similar pace of store expansion as in the past.

Testing a reasonably possible shortfall of revenues of each cash generating unit in the range of -1% to -2%, the carrying amount of goodwill might exceed the recoverable amount and an impairment loss for the cash-generating units Poland/Estonia/Lithuania, Hungary/Croatia/ Slovenia and Romania would occur. A reasonably possible shortfall of revenues of up to -4% of each of the other cash-generating units would not result in an impairment loss.

6.2 Property, plant and equipment

The development of property, plant and equipment in the prior year is presented in the following table:

in EUR k	*Land, land rights and buildings, including buildings on third-party land*	*Furniture, fixtures and office equipment*	*Finance leases*	*Prepayments made and assets under construction*	*Total*
As of 7 December 2010	0	0	0	0	0
Change in the consolidated group	16,689	102,304	32,803	2,600	154,396
Additions	1,489	12,544	2,940	607	17,580
Disposals	0	(671)	0	0	(671)
Reclassifications	0	0	0	(574)	(574)
Exchange differences	0	131	0	7	138
Depreciation	(109)	(6,578)	(2,183)	0	(8,870)
Net carrying amount	**18,069**	**107,730**	**33,560**	**2,640**	**161,999**
As of 30 April 2011					
Cost	18,178	114,308	35,743	2,640	170,869
Depreciation	(109)	(6,578)	(2,183)	0	(8,870)
Net carrying amount	18,069	107,730	33,560	2,640	161,999

The development of property, plant and equipment in the fiscal year is presented in the following table:

in EUR k	*Land, land rights and buildings, including buildings on third-party land*	*Furniture, fixtures and office equipment*	*Finance leases*	*Prepayments made and assets under construction*	*Total*
As of 1 May 2011	18,069	107,730	33,560	2,640	161,999
Additions	61	35,367	10,042	163	45,633
Disposals	0	(3,292)	(731)	(25)	(4,048)
Reclassifications	10	1,057	157	(1,224)	0
Exchange differences	0	(2,009)	0	(22)	(2,031)
Depreciation	(483)	(25,684)	(9,455)	0	(35,622)
Net carrying amount	**17,657**	**113,169**	**33,573**	**1,532**	**165,931**
As of 30 April 2012					
Cost	18,140	138,853	43,028	1,532	201,553
Depreciation	(483)	(25,684)	(9,455)	0	(35,622)
Net carrying amount	**17,657**	**113,169**	**33,573**	**1,532**	**165,931**

As of 30 April 2012, the carrying amount of assets held under finance leases amounted to EUR 33,573k (prior year: EUR 33,560k). Additions amounting to EUR 10,042k (prior year: EUR 2,940k for the short fiscal year) mainly caused by renewals were recognized in the fiscal year. 74% of assets leased under finance leases relate to leased stores, 17% relate to office buildings and 9% relate to furniture, fixtures and office equipment. Leased assets and assets under hire purchase agreements are pledged as security for the related finance lease and hire purchase obligations.

6.3 Inventories

The carrying amounts of inventories break down as follows:

in EUR k	*30 Apr 2012*	*30 Apr 2011*
Merchandise	161,928	189,447
Goods in transit	15,471	20,715
Raw materials, consumables and supplies	851	894
	178,250	**211,056**

Inventories primarily comprise merchandise and goods in transit. Consumables and supplies mainly relate to sales aids.

Inventory consumption, recognized as an expense, amounts to EUR 535,541k (prior year: EUR 167,799k). This expense is disclosed as cost of materials. These costs of material include an effect of EUR 68,961k (prior year: EUR 82,553k) relating to the realization of fair value step up recognized for these inventories in the PPA.

Cost of materials from operational changes to inventories includes the write-down of merchandise. Merchandise was written down by EUR 10,558k (prior year: EUR 2,828k) to the lower net realizable value. The carrying amount of inventories, written down to the lower net realizable value, was EUR 16,331k (prior year: EUR 3,678k).

6.4 Trade receivables

in EUR k	*30 Apr 2012*	*30 Apr 2011*
Receivables from partnerships	0	113
Other receivables	721	824
	721	**937**

Trade receivables mainly comprise receivables from partnerships and receivables from the redemption of social welfare vouchers. Trade receivables are non-interest bearing and are generally due within 30 days.

For the fiscal year from 1 May 2011 to 30 April 2012 the allocation to bad debt allowances amounts to EUR 494k (prior year: EUR 99k).

As of 30 April 2012, there were no receivables from partnerships and no other receivables that were past due and not written down.

6.5 Other assets

in EUR k	*30 Apr 2012*	*30 Apr 2011*
Financial assets		
Creditors with debt balances	777	890
Other financial assets	1,496	2,903
Other assets		
Unamortised transaction costs	11,013	11,923
Receivable from deposit to landlord	6,209	5,307
Receivable from the tax authorities	1,833	2,043
Prepayments made	962	4,256
Indemnification assets	0	3,500
Miscellaneous	3,499	2,710
	25,789	**33,532**

Unamortised transaction costs mainly consist of transaction fees for the revolving facility and the facility for letters of credit of the senior facilities agreement.

6.6 Cash and cash equivalents

in EUR k	*30 Apr 2012*	*30 Apr 2011*
Bank balances and cash on hand	55,157	45,742
	55,157	**45,742**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

6.7 Equity

The table below breaks equity down into its components:

in EUR k	*30 Apr 2012*	*30 Apr 2011*
EQUITY		
Subscribed capital	99,298	99,298
Capital reserves	396,842	396,842
Cash flow hedge reserve	(4,944)	(6,463)
Translation reserve	34	(237)
Retained earnings	(157,261)	(82,931)
Total equity	**333,969**	**406,509**

Subscribed capital is equal to the capital stock of the parent und amounted to EUR 99,298k as of 30 April 2012 (prior year: EUR 99,298k). The capital reserves also correspond with those presented in the financial statements of the parent.

As of the balance sheet date, the subscribed capital of EUR 99,298k is represented by 9,929,840,000 shares with a nominal value of EUR 0,01 each and is totally held by Salsa Retail Holding Midco S.à r.l, Luxembourg.

All shares have been fully paid in. Under Luxembourg law, a limited liability company is obliged to transfer 5% of its profit for the year to the legal reserves until they reach 10% of capital stock.

All capital reserves have been fully paid in cash with exception of the contribution of part of the existing receivable from Advent Vision S.à r.l. to Takko Fashion G Zwei GmbH. With contract dated on 8 February 2011 Salsa Retail Holding MidCo S.à r.l. has acquired the existing receivable from Advent Vision S.à r.l. to Takko Fashion G Zwei GmbH in the amount of EUR 202.4m. Under an agreement entered into on 8 February 2011 Salsa Retail MidCo S.à r.l. has contributed the Shareholder Loan with Takko Fashion G Zwei GmbH to Salsa Retail Holding DebtCo 1 S.à r.l., which contributed the Loan into Salsa Retail Holding DebtCo 2 S.à r.l. Loan plus capitalized and accrued interest amounted to EUR 202.4m as of 8 February 2011. The contribution into Salsa Retail Holding DebtCo 1 S.à r.l. took place against a contribution in kind to the company by Salsa Retail MidCo S.à r.l. as preferred equity certificates (PEC's) in the amount of EUR 74m; the remaining part of the receivable was contributed by Salsa Retail MidCo S.à r.l. in exchange of shares as issued on 8 February 2011.

Cash flow hedge reserve

The cash flow hedge reserve contains the portion of the gain or loss from cash flow hedges that is determined to be effective. The net loss after taxes from cash flow hedges that was recognized in equity for the fiscal year came to EUR -4,944k (prior year: EUR -6,463k).

Translation reserve

The translation reserve is used to recognize exchange differences from the translation of the financial statements of foreign operations.

6.8 Interest-bearing loans

In previous year:

in EUR k	*Total*	*thereof: current*	*thereof: non-current*
Senior term loan—tranche A	166,117	10,646	155,471
Senior term loan—tranche B	401,175	384	400,791
Revolving facility	19,015	19,015	0
Other liabilities to banks	3,891	1,763	2,128
Liabilities to bank	**590,198**	**31,808**	**558,390**
Subordinated shareholder loans	261,910	0	261,910
Loans as of 30 Apr 2011	**852,108**	**31,808**	**820,300**

In fiscal year 2011/12:

in EUR k	*Total*	*thereof: current*	*thereof: non-current*
Senior term loan—tranche A	157,832	24,719	133,113
Senior term loan—tranche B	404,231	615	403,616
Revolving facility	30,118	30,043	75
Other liabilities to banks	2,792	1,643	1,149
Liabilities to bank	**594,973**	**57,020**	**537,953**
Subordinated shareholder loans	341,670	0	341,670
Loans as of 30 Apr 2012	**936,643**	**57,020**	**879,623**

In connection with the business combination as of 8 February 2011, the Takko Group concluded a senior facilities agreement with BNP Paribas S.A., Deutsche Bank AG, Nomura International plc and Unicredit Bank AG as arrangers. As of 27 January 2012 the senior facilities agreement was amended, whereas the banks have agreed upon an adjustment of covenant rules. The bank loans have the following tranches:

- The category A senior term loan with an original nominal volume of EUR 175m is to be repaid in regular installments by 31 October 2016. The interest rate calculates as EURIBOR® (minimum 1.5%) plus a margin of 4.5%, which is paid within interest periods of maximal 6 months. As a result of the amended senior facilities agreement an additional margin of 0.75%, which is to be capitalized on the nominal volume after each interest period, is payable on 31 October 2016. In the current fiscal year EUR 10.5m was repaid as a voluntary prepayment. As of 30 April 2012, the nominal volume including capitalized interest amounts to EUR 164.8m (prior year: EUR 175m).
- The category B senior term loan with an original nominal volume of EUR 425m is to be repaid by 8 February 2018. The interest rate calculates as EURIBOR® (minimum 1.5%) plus a margin of 5.0%, which is paid within interest periods of maximal 6 months. As a result of the amended senior facilities agreement an additional margin of 0.75%, which is to be capitalized on the nominal volume after each interest period, is payable on 8 February 2018. As of 30 April 2012, the nominal volume including capitalized interest amounts to 425.7m (prior year: EUR 425m).
- The revolving facilities have a term until 8 February 2017 and a nominal volume of total EUR 77.75m which can be issued for letters of credit as well as can be used to meet the cash requirements for day-to-day business. The facilities consist of a revolving facility of EUR 50m and a new revolving facility of 27.75m as a result of the amended senior facilities agreement reducing the facility for documentary letters of credit respectively. An ancillary facility of EUR 10m for rent guarantees was set up as a carve-out of the revolving facility. The cash utilization of the revolving facility as of 30 April 2012 was EUR 30.0m (prior year: EUR 19.0m). The utilization of the ancillary facility for rent guarantees amounted to EUR 9.3m (prior year: EUR 5.9m).
- The facility for documentary letters of credit has a term until 8 February 2017 and a nominal volume of EUR 172.25m (prior year: EUR 200m). A volume of EUR 134.7m (prior year: EUR 198.9m) was issued for letters of credit as of 30 April 2012.

As of the balance sheet date, the Group had unutilized loan facilities of EUR 10.7m (prior year: EUR 25.1m) for cash and cash equivalents, EUR 27.75m (prior year: EUR 0m) for cash and cash equivalents or letters of credit and EUR 37.5m (prior year: EUR 1.1m) for letters of credit.

The EURIBOR® serves as a base rate for the bank loans, with a minimum interest rate provision of the term loans A, B and the revolving facility of 1.5% (prior year: 1.5%).

The Group may select an interest period between one and six months at their own discretion. For the fiscal year 2011/12, interest rate windows of one month were chosen.

Per 8 February 2011 the minimum rate of 1.5% exceeded the market interest level and the risk of the minimum interest rate provision is not "clearly and closely related" to the underlying loans. Therefore the minimum interest rate provision is treated as an embedded derivative to be bifurcated as an interest rate floor. The fair value of the interest rate floor amounted to EUR 3,492k on 30 April 2011 and to EUR 22,459k on 30 April 2012. The difference of the fair values was accounted for in finance costs.

As of 30 April 2012, 50% (prior year: 50%) of the term loans A and B were hedged by means of interest rate swaps for the purpose of hedging interest rate risk. Furthermore, 33% (prior year: 33%) of the term loans A and B were hedged by means of interest rate options using interest rate caps.

The following assets belonging to the significant entities mainly serve as collateral for the loans to the financing banks:

- Bank balances
- Receivables
- Inventories
- Other current assets
- Property, plant and equipment
- Intangible assets
- Equity interests

According to the senior facilities agreement, the Group has to achieve certain covenants and KPIs. The financial covenants principally include the following core indicators:

- Interest cover:

  The ratio of consolidated EBITDA to consolidated net finance charges.
- Cashflow cover:

  The ratio of consolidated cash flow to net debt service.
- Debt cover:

  The ratio of consolidated total net debt to consolidated EBITDA. The credit margin is dependent on this covenant.
- Capital expenditure covenant

In this covenant, annual investments are limited to a certain amount.

Except for the Capital expenditure covenant, the financial covenants are tested on a quarterly basis. The Capital expenditure covenant is required for testing relating to the financial year end only.

In addition to the bank loans, subordinated shareholder loans of EUR 258m were raised in connection with the business combination. In the fiscal year 2011/2012 additional shareholder loans, amounting to EUR 60m, were issued. All shareholder loans were granted in the form of preferred equity certificates. As regards collateral, the shareholder loans are subordinate to the loans issued by the financing banks. As of the balance sheet date of 30 April 2012, the preferred equity certificates are disclosed at a value of EUR 341.5m (prior year: EUR 261.8m) including capitalized interests.

6.9 Finance leases

The Group has finance leases for various properties and for furniture, fixtures and office equipment. These leases have terms of renewal but no purchase options and escalation clauses. The present value of the future minimum lease payments from finance leases is presented below:

in EUR k	*30 Apr 2011*	
	Minimum lease payments	*Present value of minimum lease payments*
Up to 1 year	14,958	14,471
1 to 2 years	11,968	10,754
2 to 5 years	16,947	13,506
More than 5 years	10,679	6,114
Total	**54,552**	**44,845**
Less interest portion	(9,707)	
Present value of minimum lease payments	**44,845**	

in EUR k	30 Apr 2012	
	Minimum lease payments	Present value of minimum lease payments
Up to 1 year	14,544	12,087
1 to 2 years	10,795	9,148
2 to 5 years	15,646	13,641
More than 5 years	10,884	6,468
Total	**51,869**	**41,344**
Less interest portion	(10,525)	
Present value of minimum lease payments	**41,344**	

6.10 Derivative financial instruments

in EUR k	30 Apr 2011	
	Assets	Liabilities
Interest rate swap contracts	748	3
Interest rate options (caps)	3,703	0
Foreign exchange forward contracts	0	15,144
Foreign exchange options	426	0
Embedded interest rate floor	0	3,492
	4,877	**18,639**

in EUR k	30 Apr 2012	
	Assets	Liabilities
Interest rate swap contracts	0	12,409
Interest rate options (caps)	140	0
Foreign exchange forward contracts	10,081	0
Embedded interest rate floor	0	22,459
	10,221	**34,868**

Dated 10 February 2011, an interest swap portfolio with an original nominal volume of EUR 300m and a term from 22 February 2012 until 22 February 2014 was concluded to hedge interest rate risk. In the fiscal year 2011/12 the interest swap portfolio was restructured by increasing the hedging term to 23 February 2015 while reducing the fixed interest rate to pay. As of April 2012, the nominal volume amounted to EUR 295m (prior year: EUR 300m) with a negative market value of EUR -12,409k (prior year: EUR 745k).

Dated 10 February 2011, an interest rate cap agreement was concluded with an original nominal volume of EUR 200m and a term from 22 February 2012 until 22 February 2014 at a purchase price of EUR 3,400k. The purchase price is paid deferred by an annuity over the maturity of the cap agreement. As of April 2012, the nominal volume amounted to EUR 197m (prior year: EUR 200m) with a market value of EUR 140k (prior year: EUR 3,703k)

The minimum interest rate provision of 1.5% within the interest bearing loans is treated as an embedded derivative to be bifurcated as an interest rate floor. The fair value of the interest rate floor on 30 April 2012 amounted to EUR -22,459k (prior year: EUR -3,492k).

The Takko Group also continuously enters into forward exchange contracts to hedge goods purchases from Asia, which are primarily settled in US dollars. The nominal volume of open currency positions amounted to USD 353m (prior year: USD 349m). The forward exchange transactions had a positive market value of EUR 10,081k (prior year: EUR -15,144k) as of 30 April 2012.

6.11 Provisions for pensions and similar obligations

The Company has a defined benefit plan that is closed to new participants. Valuation is based on the actuarial report of Mercer Human Resource Consulting using the following parameters:

30 April 2011:

Interest rate	= 5.29%
Turnover rate	= none
Future pension increases	= 1.75%
Future salary increases	= 2.00% (incl. career trend)

30 April 2012:

Interest rate	= 4.2%
Turnover rate	= none
Future pension increases	= 1.75%
Future salary increases	= 2.00% (incl. career trend)

The biometric calculation parameters were used in accordance with the 2005 G mortality tables published by Dr. Klaus Heubeck.

The obligation is recognized at the amount of the present value of the defined benefit obligation (DBO).

The table below shows the reconciliation of the DBO in the fiscal year:

in EUR k	*30 Apr 2012*	*30 Apr 2011*
Obligation as of beginning of fiscal year	2,020	0
Change in the consolidated group	0	2,160
Actuarially gains and losses	187	(125)
Interest expense	87	26
Annuity payments	(170)	(41)
Obligation as of fiscal year-end	**2,124**	**2,020**

6.12 Other provisions

The development and breakdown of other provisions in the prior year is presented in the following table:

in EUR k	*Dismantling measures*	*Rent for vacancy space*	*Severance payments*	*Provision for potential store losses*	*Total*
As of 7 Dec 2010	0	0	0	0	0
Change in the consolidated group	1,220	76	402	2,347	4,045
Allocation	170	50	117	416	753
Reversal	0	0	(57)	(980)	(1,037)
Utilization	0	(6)	(108)	(289)	(403)
As of 30 Apr 2011	**1,390**	**120**	**354**	**1,494**	**3,358**
thereof: current	603	120	354	481	1,558
thereof: non-current	787	0	0	1,013	1,800
Total	**1,390**	**120**	**354**	**1,494**	**3,358**

The development and breakdown of other provisions in the fiscal year is presented in the following table:

in EUR k	*Dismantling measures*	*Rent for vacancy space*	*Severance payments*	*Provision for potential store losses*	*Total*
As of 01 May 2011	1,390	120	354	1,494	3,358
Allocation	4,850	239	628	2,237	7,954
Reversal	0	(58)	(16)	(369)	(443)
Utilization	0	(22)	(75)	(268)	(365)
As of 30 Apr 2012	**6,240**	**279**	**891**	**3,094**	**10,504**
thereof: current	617	279	891	1,503	3,290
thereof: non-current	5,623	0	0	1,591	7,214
Total	**6,240**	**279**	**891**	**3,094**	**10,504**

Provisions for dismantling measures relate to the store leases and reflect the estimated costs of possible dismantling measures for future store closures. The provision for potential store losses contains estimated costs in connection with onerous contracts. Provisions for dismantling measures include an interest effect of EUR 729k.

6.13 Trade payables and other liabilities

Trade payables amounted to EUR 150,674k (prior year: EUR 151,318k). All trade payables are due in up to one year and are non-interest-bearing.

Other liabilities break down as follows:

in EUR k	*30 Apr 2012*	*30 Apr 2011*
Financial liabilities		
Other financial liabilities	822	1,986
Other liabilities		
Liabilities to the tax authorities	17,771	8,847
Liabilities from bonus and management bonus agreements and other personnel-related costs	6,598	12,634
Liabilities from vacation provisions	4,619	4,519
Rent liabilities	4,136	4,605
Liabilities from wages and salaries	3,428	3,020
Liabilities for social security	1,123	975
Miscellaneous	3,966	2,638
	42,463	39,224

Liabilities to the tax authorities mainly comprise VAT liabilities as well as wage and church tax. Liabilities from bonus and management bonus agreements relate, among others, to management bonuses which are settled after the close of the fiscal year and are dependent on performance. Rent liabilities mainly relate to lease payments, costs for services and brokerage commissions.

7 Contingent liabilities and other financial obligations

in EUR k	*As of 30 Apr 2011*				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Obligations from operating leases	112,345	102,154	214,361	125,396	554,256
Purchase commitments	256,365				256,365
Total	**368,710**	**102,154**	**214,361**	**125,396**	**810,621**

in EUR k	*As of 30 Apr 2012*				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Obligations from operating leases	127,720	115,217	251,644	148,221	642,802
Purchase commitments	206,136				206,136
Total	**333,856**	**115,217**	**251,644**	**148,221**	**848,938**

Obligations from operating leases

The Group has concluded lease agreements for warehouses and stores as well as for furniture, fixtures and office equipment. The lease agreements have a remaining term of between 1 and 10 years. Part of the lease contracts contains renewal options. The lease agreements did not impose any restrictions on the Group.

The present value of obligations from operating leases calculated using a risk and term adequate discount rate is as follows:

	As of 30 Apr 2011				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Present value of obligations from operating leases	108,524	91,477	166,595	74,908	441,504

	As of 30 Apr 2012				
	Up to 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Present value of obligations from operating leases	123,373	103,111	195,508	88,368	510,360

Operating leases

In fiscal year 2011/2012 lease payments amounting to EUR 121.5m (prior year: EUR 25.0m) were paid.

Purchase commitments

The Group's obligations from goods purchases amounted to EUR 206,136k (prior year: EUR 256,365k). These obligations are short term and due in up to one year.

Legal claim contingency

In fiscal year 2011/12 a former franchise partner has commenced an arbitration proceeding against the Group in respect of the sale and transfer of a store portfolio in Slovenia, Estonia, Lithuania and Croatia to the Takko Group at the beginning of 2009. The total claim amounts to EUR 24m should the action be fully successful. A trial date of the arbitration court has been set for November 2012. The Group has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed. Furthermore, the risk of this claim is fully covered by the seller guarantees of the former shareholder of the Takko Group—funds advised by Advent International. Accordingly, no provision for any claims has been made in these financial statements. The Group has only provided for its legal fees and has accounted for the respective receivable towards the former shareholder according to the guarantee provision in the Sale & Purchase Agreement dated December 2010.

8 Related party disclosures

Transactions with related parties in fiscal year 2011/12 are based on the following:

- As of 8 February 2011 Salsa Retail Holding MidCo S.à r.l., Luxembourg, granted a portfolio of shareholder loans amounting to a total of EUR 258m to Salsa Retail Holding DebtCo 1 S.à.r.l at arm's length. The portfolio of shareholder loans consists of EUR 158m preferred equity certificates ("PECs") bearing interest at the rate of 10.193% per annum, EUR 74m PECs bearing interest at the rate of 0.5% per annum and EUR 26m yield-free PECs. As of 31 October 2011 Salsa Retail Holding MidCo S.à r.l., Luxembourg, granted an additional shareholder loan amounting to EUR 10m to Salsa Retail Holding DebtCo 1 S.à.r.l at arm's length. This shareholder was increased by a further amount of EUR 50m as of 27 January 2012 so that a total of additional shareholder loans of EUR 60m was granted in fiscal year 2011/12 bearing interest at the rate of 7.985% per annum. As of 30 April 2012, the loans to Salsa Retail Holding MidCo S.à r.l., including capitalized and accrued interest, amount to EUR 341.7m (prior year: EUR 261.8m).
- As of 30 April 2012 a liability to Apax Partners, London, which have funded an advance payment for transaction costs regarding the acquisition of the Takko Group amounts to EUR 3,186k. The outstanding amount was fully paid in June 2012.
- The following related party relationships exist with business partners and employees through the general manager Alexander Mattschull:
    - Under an agreement entered into on 26 February 2007, Takko Holding GmbH leased premises in Friedrichsdorf, Germany, comprising office space, storage space and parking lots from the Eigentümergemeinschaft Mattschull GbR ("Eigentümergemeinschaft"), a partnership formed by Birgit and Alexander Mattschull and represented by Birgit Mattschull. The lease commenced on 1 May 2007 with a fixed term of ten years. The monthly rent under the agreement is set at EUR 14,800 (prior year: EUR 14,800) plus VAT (at the applicable rate as amended from time to time on the due date).
    - Takko Holding GmbH has entered into a consulting agreement with Birthe Mattschull and an employment agreement with Irene Mattschull. Birthe Mattschull is married to Alexander Mattschull who is a member of Takko's management board. Birthe Mattschull is supporting Takko's purchasing department as a consultant. Irene Mattschull, Alexander Mattschull's aunt, is employed as a divisional manager in Takko's purchasing department. The individuals named above received salary or consulting remuneration payments under the contractual arrangements named above amounting to a total of EUR 361,456 in the fiscal year 2011/12 (prior year: EUR 237,440).

- Effective 30 June 2011 the Advisory Board of Takko Fashion GmbH was established.
  - Dr. Georg Baur is chairman of the Advisory Board since 30 June 2011. Pursuant to his service agreement Dr. Georg Baur coordinates the meetings of the Advisory Board, provides advisory services to Takko Fashion GmbH in relation to its strategic planning and supports the company and its affiliates relating to their respective business development.
  - Prof. Helmut Merkel is a member of the Advisory Board since 1 July 2011. Pursuant to his service agreement Prof. Helmut Merkel attends the meetings of the Advisory Board, provides advisory services to Takko Fashion GmbH in relation to its strategic planning and supports the company and its affiliates relating to their respective business development.
  - On 13 September 2011, Chattanooga AB, c/o Mansson, Stockholm, Sweden entered into a service agreement with Takko Fashion GmbH. Pursuant to the service agreement Chattanooga provides advisory services to Takko Fashion GmbH in relation to its strategic planning and supports the company and its affiliates relating to their respective business development. This service will mainly be provided by Fabian Mansson who also attends the meetings of the Advisory Board.
  - The annual remuneration for the aforementioned service agreements was set at an annual fixed fee plus reimbursement of additional consultancy and reasonable expenses. The total remuneration amounted to EUR 67,298 in the fiscal year 2011/12.
- Salsa Retail Holding TopCo S.à r.l., Luxembourg, granted the opportunity to the members of the Advisory Board and to the top management of Takko Group to invest into Salsa Holding TopCo S.à r.l. pari passu to the funds advised by Apax Partners. In fiscal year 2011/12, Dr. Georg Baur and Stephan Swinka have signed such a pari passu co-investment. Dr. Georg Baur holds 0.07% of the shares including share premium and of preferred equity certificates of Salsa Holding TopCo S.à r.l. and Stephan Swinka holds 0.07% of the shares including share premium and of preferred equity certificates of Salsa Holding TopCo S.à r.l.

The preferred equity certificates are loan securities with a total amount of €218m which are bearing interest of approximately 10% p.a. and which are payable upon maturity.

The existing pari passu program is no risk-free option model for motivating management, but an instrument that is subject to risk and will only generate a positive return in the event of an exit of the private equity shareholder. This pari passu instrument has not been issued at preferential conditions, but at the same conditions that applied to the private equity shareholder in the transaction conducted in February 2011. Dr. Georg Baur and Stephan Swinka may not freely sell the shares or preferred equity certificates and bear the full risk. This pari passu investment program has no effects on the balance sheet or income statement.

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at arm's length. Outstanding balances at year-end are not secured, interest free and settled in cash. No guarantees have been provided or received for any related party receivables or payables. There were no receivables from related parties as of the balance sheet date.

Remuneration of the Group's management

The following persons were members of the group parent Salsa Retail Holding DebtCo 1 S.à r.l.'s management in the reporting period:

- Geoffrey Henry
- Christoph Kossmann, since 23 January 2012
- Isabelle Lentz, until 14 July 2012
- Gérard Maitrejean, since 14 July 2011
- Javier Rigau
- Patrick Schott, until 23 January 2012

Aside from compensation for expenses of EUR 7,775 (prior year: EUR 7,500), the general managers of the group parent did not receive any remuneration for their work in fiscal year 2011/2012.

The Group's operational management activities are currently performed by the general managers of Takko Fashion GmbH. The management of Takko Fashion GmbH comprised the following persons during the reporting period and after the balance sheet date:

- Alexander Mattschull, product management/purchasing/logistics
- Stephan Swinka, CEO
- Erika Tertilt, CFO
- Andreas Kromer, sales/expansion

Remuneration of the management of Takko Fashion GmbH during the fiscal year 2011/12 breaks down as follows:

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Salaries	2,050	916
Other services	57	13
Total remuneration to key management personnel	**2,107**	**929**

9 Financial risk management objectives and policies

The main financial liabilities of the Takko Group, other than derivative financial instruments are bank loans, obligations from finance leases, trade payables and shareholder loans. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as receivables, cash and short-term deposits that arise directly from its operations.

The Group also has derivative financial instruments, which as of the balance sheet date included interest rate swaps and interest rate caps to hedge interest rate risk and foreign exchange forward contracts to hedge currency risk. All bank loans are currently floating rate loans with a minimum rate provision of 1.5%. The minimum rate provision is treated as an embedded derivative and is bifurcated as an interest floor.

Interest rate risk arises from fluctuations in the floating rates of the bank loans. The aim of the Company is to use interest rate derivatives as a way of turning this risk into foreseeable and secure cash flows as well as setting the limit of cash flows arising from interest payments for the hedged volume. The purpose of the forward exchange contracts is to hedge currency risks arising from USD goods purchases in Asia. The aim of the Company is to turn financial risks arising from fluctuations in the US dollar rate into foreseeable and secure cash flows.

Derivative financial instruments are not planned to be used for any other purposes at present. The main risks arising from the Group's financial instruments are cash flow interest rate risks, liquidity risks, currency risks and credit risks. The Company's management decides on strategies and processes for managing specific risk types. These are presented below.

Interest rate risk

The risk from changes in market interest rates results mainly from non-current financial floating-rate bank liabilities.

The Group's policy is to manage its interest expense using a mix of fixed and floating rate borrowings. The terms of the bank agreement state that floating rate payments on at least 66.7% of the principal amount outstanding are subject to hedging for a period of at least three years. The Group entered into interest rate swaps and interest rate caps to achieve this. As of 30 April 2012, 50% of the outstanding loan volume of the facilities A and B bore semi-fixed interest. Furthermore, 33% of the outstanding loan volume of the facilities A and B was hedged by means of interest rate options using interest rate caps.

The following table shows the sensitivity of consolidated equity (before deferred tax assets) to a reasonably possible change in interest rates (based on the effect on payer swaps and the intrinsic value of interest rate caps, which are designated as effective hedging instruments in a cash flow hedge). All other factors remain unchanged. The effect on consolidated profit or loss before taxes is based on the fair value changes of the floor and the time value of the cap.

FY 2010/11	*Scenario A*	*Scenario B*
	Parallel shift in the yield curve by 0,5%	*Parallel shift in the yield curve by -0,5%*
Effect on consolidated equity before taxes in EUR k	6,059	(5,801)
Effect on profit/loss before taxes in EUR k	869	(1,979)

FY 2011/12	*Scenario A*	*Scenario B*
	Parallel shift in the yield curve by 0,5%	*Parallel shift in the yield curve by -0,5%*
Effect on consolidated equity before taxes in EUR k	4,001	(4,019)
Effect on profit/loss before taxes in EUR k	8,184	(9,982)

Foreign currency risk

Foreign currency risks for the Group relate almost exclusively to the purchase of goods. Forward transactions are conducted in US dollars on the basis of purchase commitments. Furthermore, anticipatory currency hedges are concluded for a maximum of 18 months based on planned goods purchases less a sufficient discount considering planning uncertainties.

The following table shows the sensitivity of the Group's equity (before deferred taxes) due to changes in the fair values of forward exchange contracts compared with a reasonably possible change in the US dollar exchange rate. All other factors remain unchanged.

FY 2010/11	*Scenario A*	*Scenario B*
	USD/EUR = 1.6346	*USD/EUR = 1.3374*
Effect on consolidated equity before taxes in EUR k	(15,532)	19,837

FY 2011/12	*Scenario A*	*Scenario B*
	USD /EUR = 1,4535	*USD /EUR = 1,1893*
Effect on consolidated equity before taxes in EUR k	(16.177)	19.770

Credit risk

Takko is not subject to significant credit risks from customers as goods are paid for upon handover.

With regard to the other financial assets of the Group, the maximum credit risk in the event of default by a counterparty is the carrying amount of these instruments. The credit risk is limited as mainly cash and similar items are involved.

Liquidity risk

The Group continually monitors the risk of potential liquidity shortfalls using a liquidity planning tool. This tool takes into account monthly debits from bank loans as well as expected cash flows from operating activities. The outlook period in each case is the current fiscal year. A short-term statement is also prepared every week for a forecasting period of twelve weeks.

The table below summarizes the maturities of the Group's financial liabilities as of the balance sheet date. The disclosures are made on the basis of the contractual, non-discounted payments.

30 April 2011:

in EUR k	*Total*	*Up to 1 year*	*1 to 2 years*	*2 to 5 years*	*More than 5 years*
Cash flows from bank loans	850,728	69,177	63,115	200,794	517,642
thereof interest	*228,502*	*38,577*	*37,474*	*101,809*	*50,642*
thereof repayment	*622,226*	*30,600*	*25,641*	*98,985*	*467,000*
Finance leases	54,552	14,958	11,968	16,947	10,679
Derivative financial instruments	13,762	14,146	525	(1,690)	781
Trade payables	151,318	151,318			
Other financial liabilities	6,591	6,591			
Total	**1,076,951**	**256,190**	**75,608**	**216,051**	**529,102**

30 April 2012:

in EUR k	*Total*	*Up to 1 year*	*1 to 2 years*	*2 to 5 years*	*More than 5 years*
Cash flows from bank loans	840,587	93,402	67,398	212,599	467,188
thereof interest	*195,392*	*37,761*	*36,413*	*98,509*	*22,709*
thereof repayment	*645,195*	*55,641*	*30,985*	*114,090*	*444,479*
Finance leases	51,869	14,544	10,795	15,646	10,884
Derivative financial instruments	24,647	914	10,499	10,841	2,393
Trade payables	150,674	150,674			
Other financial liabilities	822	822			
Total	**1,068,599**	**260,356**	**88,692**	**239,086**	**480,465**

Derivative financial instruments with both negative and positive fair values are included in the liquidity analysis. The fair values were allocated to each respective maturity band. The analysis includes derivative financial instruments with a positive market value of EUR 10.2m (prior year: EUR 4.8m), which mainly comprise currency hedges. The majority of currency hedges with a positive fair value are stated as current hedges with a term of up to one year, as hedges per 30 April 2012 were mainly with a maturity between 1 and 12 months. Cash flows from bank loans do include interest for Category A Senior Term Loan and Category B Senior Term Loan as well as the repayments of the drawn revolving facility. Not included are future payments in connection with the revolving facility, new revolving facility and the facility for documentary letters of credit.

In addition to the financial liabilities presented in the table, there are three shareholder loans with an original amount of EUR 258m from funding the acquisition of the Takko Group in February 2011. In the fiscal year 2011/2012 additional shareholder loans, amounting to EUR 60m, were issued. These shareholder loans have a contractual maturity from issuance of 29 years with an exit clause. As of the balance sheet date, the likelihood of the exit clause being used within the next 12 months was low, the use in a time frame of up to 5 years is possible. As of the balance sheet date, accumulated interest over the entire term amounted to EUR 23.7m. For further details reference is made to Note 8 "Related party disclosures."

As of the balance sheet date, the Group had unutilized loan facilities of EUR 10.7m (prior year: EUR 25.1m) for cash and cash equivalents, EUR 27.75m (prior year: EUR 0m) for cash and cash equivalents or letters of credit and EUR 37.6m (prior year: EUR 1.1m) for letters of credit.

Capital management

The bank financing agreement lays out the significant criteria for capital management. Dividend distributions are not possible without the approval of the banks and are also not expected by the shareholders as excess liquidity must be allocated for loan repayments. Capital increases are not generally planned as the shareholder is a private equity fund that carries out all capital contributions as of the time of acquisition.

Additional disclosures on financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Group classifies interest rate caps, floors, swaps and foreign exchange forward contracts exclusively as financial instruments measured at fair value and belonging to Level 2.

The following table shows which financial instruments belong to which class as well as the categories pursuant to IAS 39. The fair value of each financial instrument as of the balance sheet date is also disclosed.

30 April 2011:

			Carrying amount in accordance with IAS 39				
in EUR k	*Category*	*Carrying amount*	*Fair Value recognized directly in equity*	*Fair Value recognized in profit and loss*	*Historical cost/ Amoritized cost*	*Value pursuant to IAS 17*	*FAIR VALUE*
Cash and cash equivalents	L&R	45,742			45,742		45,742
Trade receivables	L&R	937			937		937
Other current assets	L&R	3,793			3,793		3,793
Derivatives							
—Derivatives not in a hedging relationship	FAHfT	3,916		3,916			3,916
—Derivatives in a hedging relationship	n/a	961	961				961
Trade payables	oL	151,318			151,318		151,318
Current interest-bearing loans	oL	31,808			31,808		31,808
Non-current interest-bearing loans	oL	820,300			820,300		820,300
Finance leases—current	n/a	14,471				14,471	14,471
Finance leases—non-current	n/a	30,374				30,374	30,374
Other financial liabilities	oL	6,591			6,591		6,591
Derivatives							
—Derivatives not in a hedging relationship	FLHfT	8,427		8,427			8,427
—Derivatives in a hedging relationship	n/a	10,212	10,212				10,212
Value per category							
	FAHfT	3,916	0	3,916	0	0	3,916
	FLHfT	8,427	0	8,427	0	0	8,427
	L & R	50,472	0	0	50,472	0	50,472
	oL	1,010,017	0	0	1,010,017	0	1,010,017

30 April 2012:

in EUR k	Category	Carrying amount in accordance with IAS 39 Carrying amount	Fair Value recognized directly in equity	Fair Value recognized in profit and loss	Historical cost/Amoritized cost	Value pursuant to IAS 17	FAIR VALUE
Cash and cash equivalents	L&R	55,157			55,157		55,157
Trade receivables	L&R	721			721		721
Other current assets	L&R	2,273			2,273		2,273
Derivatives							
—Derivatives not in a hedging relationship	FAHfT	4,646		4,646			4,646
—Derivatives in a hedging relationship	n/a	5,575	5,575				5,575
Trade payables	oL	150,674			150,674		150,674
Current interest-bearing loans	oL	57,020			57,020		57,020
Non-current interest-bearing loans	oL	879,623			879,623		867,474
Finance leases—current	n/a	12,087				12,087	12,087
Finance leases—non-current	n/a	29,257				29,257	29,257
Other financial liabilities	oL	822			822		822
Derivatives							
—Derivatives not in a hedging relationship	FLHfT	22,459		22,459			22,459
—Derivatives in a hedging relationship	n/a	12,409	12,409				12,409
Value per category							
	FAHfT	4,646	0	4,646	0	0	4,646
	FLHfT	22,459	0	22,459	0	0	22,459
	L & R	58,151	0	0	58,151	0	58,151
	oL	1,088,139	0	0	1,088,139	0	1,075,990

Abbreviations:

FLHfT	Financial liability held for trading
FAHfT	Financial asset held for trading
L&R	Loans and receivables
oL	Other liabilities
n/a	Not applicable

Gains of EUR 1,519k (prior year: Losses of EUR 6,463k) (net of tax) were incurred from the measurement of derivative financial instruments at their fair value directly in equity due to their accounting treatment as a cash flow hedge.

The bank loans are all floating rate notes and therefore in line with the market in terms of basic interest. In this regard, recognizing the fair value at the carrying amount is justified. The margin agreed for each loan is subject to changes in the fair value. However, this effect cannot be quantified, meaning that the carrying amount gives the best basis for estimating the fair value. The fair value of the fixed rate shareholder loans have been determined by discounting the estimated cash flows of the shareholder loans with an estimated market rate.

The following table shows the net results for each category:

Net gains and losses as of 30 April 2011 in EUR k

	From interest	From subsequent measurement Foreign currency translation	Impairment	Net result
L&R	26	0	38	64
O/l	(13,737)	72	0	(13,665)
Total	**(13,711)**	**72**	**38**	**(13,601)**

Net gains and losses as of 30 April 2012 in EUR k

		From subsequent measurement		
	From interest	*Foreign currency translation*	*Impairment*	*Net result*
L&R	80	0	0	80
O/l	(66,922)	(2,727)	0	(69,649)
Total	**(66,842)**	**(2,727)**	**0**	**(69,569)**

Interest from financial instruments is recognized in the financial result. Net gains or losses on financial assets or financial liabilities at fair value through profit or loss mainly consist of the valuation of the floor amounting to EUR -18,966k (prior year: EUR +900k).

The following table shows the change in OCI from derivative financial instruments:

	FY 2011/2012	*FY 2010/2011*
Forward exchange contracts		
Opening balance (fair value)	(10,209)	0
Reclassification to inventories	10,209	0
additions to OCI	5,575	(10,209)
Closing balance (fair value)	5,575	(10,209)
Interest rate hedges		
Opening balance (fair value)	958	0
Changes to opening balance	(13,367)	958
Closing balance (fair value)	(12,409)	958

10 Segment reporting

For management purposes, the Takko Group is divided in geographical operating segments, as the business is managed at country level respectively at the level of country groups. For segment reporting purposes, the countries were split into three regions: Germany, Western and Central Europe (the Benelux countries, Austria, Switzerland and Italy) and Eastern Europe (Hungary, Romania, Poland, Slovenia, Croatia, Estonia, Lithuania, the Czech Republic, Slovakia and Serbia). The non-operating entities and the consolidations that are set to be performed at group level are shown in a reconciliation. Intersegment sales are made at arm's length.

Takko's adjusted EBITDA is of particular use for internal management and for serving as an indicator of the sustainable profitability of its operating segments. Adjusted EBITDA is the result before interest, taxes, depreciation and amortization adjusted for extraordinary effects and reclassifications. Extraordinary effects relate to non-recurring or non-operating income and expenses; in the fiscal year 2011/12, they mainly included a step-up and a revaluation effect regarding the inventories, transaction costs as well as allocations to and the use and reversal of provisions for potential store losses. Other non-operating profit or loss mainly relates to provisions with regard to a non-operating electricity tax refund model. The adjustment to the financial result is principally attributable to letter of credit fees.

Operating segments by region (2011/2012)

in EUR k	*Germany*	*Western and Central Europe*	*Eastern Europe*	*Reconciliation*	*Total*
External revenue (incl. VAT)	815,158	183,842	248,177	0	1,247,177
External net revenue	681,727	155,350	203,277	0	1,040,354
Internal net revenue	189,015	129	0	(189,144)	0
Total net revenue	**870,742**	**155,479**	**203,277**	**(189,144)**	**1,040,354**
Adj. EBITDA	**97,119**	**10,149**	**9,494**	**3,696**	**120,458**
Investments	**16,853**	**9,959**	**8,336**	**113**	**35,261**
Inventories	**129,915**	**18,732**	**29,603**	**0**	**178,250**

Reconciliation to the operating result for FY 2011/12 in EUR k

Adj. EBITDA	**120,458**
Normalized expenses for store restructuring	(1,623)
Transaction costs	(3,016)
Revaluation of inventories	(15,468)
PPA step-up effect	(68,961)
Other non-operating profit or loss	(2,429)
Amortization and depreciation	(41,043)
Adjustments relating to financial results	(9,187)
Adjusted financial result	(99,334)
EBT	**(120,603)**

Operating segments by region (2010/2011)

in EUR k	*Germany*	*Western and Central Europe*	*Eastern Europe*	*Reconciliation*	*Total*
External revenue (incl. VAT)	169,601	35,990	45,793	0	251,384
External net revenue	142,462	30,274	37,876	0	210,612
Internal net revenue	40,133	0	0	(40,133)	0
Total net revenue	**182,595**	**30,274**	**37,876**	**(40,133)**	**210,612**
Adj. EBITDA	**19,772**	**2,595**	**2,469**	**59**	**24,895**
Investments	**11,165**	**2,883**	**3,982**	**2**	**18,032**
Inventories	**109,606**	**12,796**	**19,693**	**68,961**	**211,056**

Reconciliation to the operating result for FY 2010/2011 in EUR k

Adj. EBITDA	**24,895**
Normalized expenses for store restructuring	172
Transaction costs	(17,234)
Revaluation of inventories	(935)
PPA step-up effect	(82,553)
Other non-operating profit or loss	(900)
Amortization and depreciation	(9,219)
Adjustments relating to financial result	(2,185)
Adjusted financial result	(15,476)
EBT	**(103,435)**

Inventories are presented on a consolidated basis.

As Takko only operates in one area, the apparel retail market, net revenue by product falls into the product categories “Clothing” and “Other.” The category “Other” mainly comprises accessories and concession goods.

No revenue is generated in Luxembourg (registered office of the group parent) and there are also no significant non-current assets (intangible assets and property, plant and equipment).

External net revenue by product breaks down as follows:

2011/2012 in EUR k	*Clothing*	*Other*	*Group*
External revenue (net)	974,870	65,484	1,040,354

2010/2011 in EUR k	*Clothing*	*Other*	*Group*
External revenue (net)	198,381	12,231	210,612

11 Audit and advisory fees

in EUR k	*1 May 2011 – 30 Apr 2012*	*7 Dec 2010 – 30 Apr 2011*
Legal audit of the financial statements	579	807
Other services of certification	429	13
Tax advisory services	545	215
Other services	16	17
Total	1,569	1,052

12 Events after the balance sheet date

The following events took place after the balance sheet date:

- Since the balance sheet date, a total of 16 new Takko stores were opened across Europe in the first two months of fiscal year 2012/13.
- The private equity shareholder has granted equity instruments to the Takko Group's key management personnel. Management has the opportunity to invest into the shares of Salsa Retail Holding MidCo S.à r.l. Management and Salsa Retail Holding TopCo S.à r.l. will pool shares via Takko Co-Invest GmbH & Co. KG which holds a 23.3% interest in Salsa Retail Holding MidCo S.à r.l. The equity instruments will be acquired by management at fair market value; i.e. the private equity shareholder does not grant any preferential conditions, but applies the same conditions valid for the transaction concluded in February 2011. Management may not freely sell the shares and bears the full risk. The shares will only generate a positive return in the event of an exit of the private equity shareholder and in certain situations of the termination of the employment agreement.
- In June 2012, Takko announced that the CFO Erika Tertilt will leave the company in the course of 2012 and that Hannes Rumer will join the company in July 2012 as the new CFO of the Takko Group.

Luxembourg, 18 July 2012

The Management

Independent auditor's report

To the Management of
Salsa Retail Holding DebtCo 1 S.a r.l.
41, Boulevard Prince Henri
L-1724, Luxembourg

Report on the consolidated financial statements

Following our appointment by the Shareholders Meeting held on 17 July 2012, we have audited the accompanying consolidated financial statements of Salsa Retail Holding DebtCo 1 S.a r.l., which comprise the consolidated balance sheet as at 30 April 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as the Management determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agrée"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier." Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agrée," including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agrée" considers internal control relevant to the entities preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Salsa Retail Holding DebtCo 1 S.a r.l as of 30 April 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Management, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agrée

Jeannot Weyer

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg

IFRS CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 APRIL 2011

TABLE OF CONTENTS

		PAGE
Consolidated income statement		F-61
Consolidated statement of comprehensive income		F-62
Consolidated balance sheet		F-63
Consolidated statement of changes in equity		F-64
Consolidated statement of cash flows		F-65
Notes to the Consolidated Financial Statements		F-66
1.	Information on the Company	F-66
2.	Accounting policies	F-66
2.1.	Basis of preparation	F-66
2.2.	Accounting policies	F-67
2.3.	Significant accounting judgments, estimates and assumptions	F-68
2.4.	Summary of significant accounting policies	F-68
2.5.	Standards issued but not yet effective	F-77
3.	Business combinations	F-79
4.	Notes to the income statement	F-81
4.1.	Net Revenue	F-81
4.2.	Personnel expenses	F-81
4.3.	Other operating income	F-81
4.4.	Other operating expenses	F-81
4.5.	Financial result	F-82
5.	Income taxes	F-82
6.	Notes to the balance sheet	F-84
6.1.	Intangible assets	F-84
6.2.	Property, plant and equipment	F-85
6.3.	Inventories	F-86
6.4.	Trade receivables	F-86
6.5.	Other assets	F-86
6.6.	Cash and cash equivalents	F-87
6.7.	Equity	F-87
6.8.	Interest-bearing loans	F-88
6.9.	Finance leases	F-89
6.10.	Derivative financial instruments	F-89
6.11.	Provisions for pensions and similar obligations	F-90
6.12.	Other provisions	F-90
6.13.	Trade payables and other liabilities	F-91
7.	Contingent liabilities and other financial obligations	F-91
8.	Related party disclosures	F-92
9.	Financial risk management objectives and policies	F-93
10.	Segment reporting	F-96
11.	Events after the balance sheet date	F-97
Independent Auditor's Report		F-98

Consolidated income statement

For the period from 7 December 2010 to 30 April 2011

in EUR k	*Note*	*2010/2011*
Net revenue	*2.4+4.1*	**210,612**
Cost of materials		(167,799)
Thereof: reversal of PPA inventory step-up: (82,553)	*3.0+6.3*	
Gross profit		**42,813**
Other operating income	*4.3*	4,511
Personnel expenses	*4.2*	(42,461)
Lease payments incl. costs for services		(33,698)
Marketing expenses		(13,427)
Other operating expenses	*4.4*	(36,478)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		(9,219)
Operating result		**(87,959)**
Finance costs	*4.5*	(16,949)
Finance income	*2.4+4.5*	1,473
Financial result		**(15,476)**
Loss for the period from ordinary operations		**(103,435)**
Loss before taxes		**(103,435)**
Income taxes	*2.4+5.*	20,504
Loss for the period		**(82,931)**

Consolidated statement of comprehensive income

For the period from 7 December 2010 to 30 April 2011

Other comprehensive income	*Note*	*30 Apr 2011*
Loss for the period		**(82,931)**
Exchange differences	*6.7*	(237)
Cash flow hedges	*6.7 + 6.10 + 9.0*	(9,251)
Income taxes relating to components of OCI	*5.0*	2,788
OCI, net of income taxes		(6,700)
Total comprehensive income (total CI)		**(89,631)**

OCI = other comprehensive income
CI = comprehensive income

Consolidated balance sheet

As of 30 April 2011

in EUR k	*Note*	*30 Apr 2011*	*7 Dec 2010**
Assets			
Non-current assets			
Property, plant and equipment	*6.2*	161,999	—
Intangible assets—goodwill	*6.1*	951,537	—
Intangible assets—other	*6.1*	207,473	—
Financial assets		—	—
Derivative financial instruments	*6.10*	3,434	—
Deferred taxes	*5.*	1,879	—
Total non-current assets		**1,326,322**	**—**
Current assets			
Inventories	*6.3*	211,056	—
Trade receivables	*6.4*	937	—
Other assets	*6.5*	33,532	—
Derivative financial instruments	*6.10*	1,443	—
Cash and short-term deposits	*6.6*	45,742	88
Total current assets		**292,710**	**88**
Total assets		**1,619,032**	**88**
EQUITY			
Subscribed capital	*6.7*	99,298	88
Capital reserves	*6.7*	396,842	—
Cash flow hedge reserve	*6.7*	(6,463)	—
Translation reserve	*6.7*	(237)	—
Accumulated loss	*6.7*	(82,931)	—
Total equity		**406,509**	**88**
LIABILITIES			
Non-current liabilities			
Subordinated shareholder loans	*6.8*	261,910	—
Liabilities to bank	*6.8*	558,390	—
Financial liabilities from finance lease	*6.9*	30,374	—
Provisions for pensions and similar obligations	*6.11*	2,020	—
Other provisions	*6.12*	1,800	—
Derivative financial instruments	*6.10*	3,050	—
Deferred taxes	*5.*	85,831	—
Total non-current liabilities		**943,375**	**—**
Current liabilities			
Liabilities to bank	*6.8*	31,808	—
Financial liabilities from finance leases	*6.9*	14,471	—
Other provisions	*6.12*	1,558	—
Trade payables	*6.13*	151,318	—
Other liabilities	*6.13*	39,224	—
Derivative financial instruments	*6.10*	15,589	—
Income tax liabilities	*5.*	15,180	—
Total current liabilities		**269,148**	**—**
Total equity and liabilities		**1,619,032**	**88**

* Opening balance sheet of Salsa Retail Holding DebtCo 1 S.à r.l. as of 7 December 2010

Consolidated statement of changes in equity

For the period from 7 December 2010 to 30 April 2011

in EUR k	*Note*	*Subscribed capital*	*Capital reserves*	*Cash flow hedge reserve*	*Translation reserve*	*Loss for the period*	*Total equity*
As of 7 Dec 2010		**88**	**—**	**—**	**—**	**—**	**88**
Capital increases		99,210	396,842				496,052
Exchange differences					(237)		(237)
Loss for the period						(82,931)	(82,931)
Other comprehensive income	*2.4*			(6,463)			(6,463)
Total comprehensive income		—	—	(6,463)	(237)	(82,931)	(89,631)
As of 30 Apr 2011		**99,298**	**396,842**	**(6,463)**	**(237)**	**(82,931)**	**406,509**

Consolidated statement of cash flows

For the period from 7 December 2010 to 30 April 2011

in EUR k	*7 Dec 2010 to 30 Apr 2011*
Operating activities	
Loss before taxes	(103,435)
Adjustments to reconcile profit or loss before taxes to net cash flows	
—Depreciation, amortization and impairment of property, plant and equipment and intangible assets	9,219
—Use of inventories that were measured at fair value in connection with the business combination	82,553
—Interest income	(1,473)
—Interest expenses	16,949
—Gain or loss on the disposal of non-current assets	782
—Change in provisions and pension provisions	(853)
Working capital adjustments:	
—Change in trade and other receivables	6,325
—Change in inventories	(17,352)
—Change in trade and other payables	40,998
—Income taxes paid	(576)
Net cash from operating activities	**33,137**

Investing activities	*7 Dec 2010 to 30 Apr 2011*
Acquisition of subsidiaries net of cash acquired	(669,870)
Purchase of property, plant and equipment	(14,641)
Purchase of intangible assets	(452)
Interest received	245
Net cash used in investing activities	**(684,718)**
Financing activities	
Proceeds from capital increases	367,662
Proceeds from loans	760,260
Payment of finance leases	(3,986)
Payments for the purchase of financial instruments	(210)
Repayment of loans	(417,394)
Interest paid	(9,040)
Net cash from financing activities	**697,292**
Net increase in cash and cash equivalents	45,711
Cash and cash equivalents at the beginning of the period	88
Change in cash and cash equivalents due to exchange differences	(57)
Cash and cash equivalents as at the balance sheet date	45,742

Notes to the consolidated financial statements for the period from 7 December 2010 to 30 April 2011

1. Information on the Company

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg, is a limited liability company with its registered office in Luxembourg, 41, Boulevard du Prince Henri. The Company is entered in the Registre de Commerce et des Sociétés Luxembourg under note B 157325.

The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. relate to the abbreviated fiscal year from 7 December 2010 to 30 April 2011. In the balance sheet the opening balance sheet of Salsa Retail Holding DebtCo 1 S.à r.l. as of 7 December 2010 is presented. The opening balance sheet mainly includes cash and cash equivalents amounting to EUR 88k and the subscribed capital amounting to EUR 88k.

On 8 February 2011, Salsa Retail Holding DebtCo 1 S.à r.l. acquired the Takko Group and the new group commenced operating activities on this date. The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. were authorized for issue by management resolution on 15 July 2011.

The Takko Group is a European apparel retail group focused on the value fashion segment and operating more than 1,550 stores across 16 countries in Western, Central and Eastern Europe. The Takko Group offers a wide range of private label apparel and accessories for women, men, and children, primarily targeting young and price-conscious, yet fashion-oriented families. The home market of the Takko Group is Germany, where 70% of the stores are located. The Group also has a large presence in 15 other European markets, including Austria, the Netherlands, Czech Republic, Hungary, Romania, Poland and Slovakia. Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg, is the parent which prepares consolidated financial statements.

Ultimate Parent of Salsa Retail Holding DebtCo 1 S.à r.l. is Salsa Retail Holding TopCo Sà.r.l., Luxembourg.

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis of accounting, except for derivative financial instruments, which were measured at fair value. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR k) except when otherwise indicated. Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

The fiscal year of Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg, runs from 1 May to 30 April. The Company was established on 7 December 2010. As a result, the reporting period as of 30 April 2011 is the abbreviated fiscal year from 7 December 2010 to 30 April 2011. For this reason, it is not possible to provide comparative figures for the prior year, which is why only the figures for the abbreviated fiscal year are disclosed.

Statement of compliance with IFRSs

The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the EU. All International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) effective for fiscal year 2010/2011 as well as all interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC) were observed.

The balance sheet has been structured in accordance with IAS 1. Balance sheet disclosures break down into current and non-current assets and liabilities; some items are disclosed in the notes by maturity. The income statement is presented in accordance with the nature of expense method.

As Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg was established on 7 December 2010 these financial statements for the year ended 30 April 2011 are the first financial statements of the Group and they are prepared in accordance with IFRS.

Basis of consolidation

The consolidated financial statements include the financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. and its subsidiaries as of 30 April of a given fiscal year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date on which the parent ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

All intragroup balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full.

Consolidated group

The consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. include all German and foreign subsidiaries which Salsa Retail Holding DebtCo 1 S.à r.l. directly or indirectly controls. In accordance with IAS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A subsidiary is included in the consolidated financial statements as of the date on which control over the subsidiary is transferred to Salsa Retail Holding DebtCo 1 S.à r.l.

All of the subsidiaries of Salsa Retail Holding DebtCo 1 S.à r.l. are wholly-owned and neither joint ventures nor associates are included in the consolidated financial statements. All subsidiaries are fully consolidated.

In addition to Salsa Retail Holding DebtCo 1 S.à r.l. as the parent company, the consolidated financial statements as of 30 April 2011 include the following entities:

Name	*Registered Office*	*Equity interest in %*
Takko Fashion (Schweiz) AG	Unterengstringen	100
Takko Fashion AT Business Services GmbH	Wien	100
Takko Fashion AT Holding GmbH	Wien	100
Takko Fashion AT Vermögensverwaltungs GmbH	Wien	100
Takko Fashion Belgium N.V.	Dendermonde	100
Takko Fashion G Eins GmbH	Telgte	100
Takko Fashion G Zwei GmbH	Telgte	100
Takko Fashion International S.R.L.	Bucuresti	100
Takko Fashion Kft.	Budaörs	100
Takko Fashion NL B.V.	Oldenzaal	100
Takko Fashion Polska Sp. Z.o.o.	Wroclaw	100
Takko Fashion s.r.o.	Brno	100
Takko GP GmbH & Co. KG	Telgte	100
Takko Holding GmbH	Telgte	100
Takko ModeMarkt GmbH	Wien	100
Takko Nederland B.V.	Oldenzaal	100
Takko Verwaltungs GmbH	Telgte	100
Takko Fashion Slovakia s.r.o.	Senec	100
Takko Fashion d.o.o.	Ljubljana	100
TK-Fashion OÜ	Tallinn	100
UAB “TK-Fashion”	Kaunas	100
Takko Fashion Croatia d.o.o.	Zagreb	100
Takko Fashion Italia S.r.l.	Pero	100
Takko Fashion Serbia d.o.o.	Belgrad	100
Takko Holding Netherlands B.V.	Oldenzaal	100
Takko Fashion Austria GmbH	Wien	100
Takko Fashion GmbH	Telgte (Munich until May 23, 2011)	100
Salsa Retail Holding DebtCo 2 S.à r.l.	Luxembourg	100
Takko Czech Holding s.r.o. (ZBD Czech s.r.o.)	Brno (Prag)	100

The fiscal year of all subsidiaries included in the consolidated financial statements is from 1 May to 30 April of the following year.

2.2. Accounting policies

As the new Group prepared IFRS consolidated financial statements for the first time following the acquisition of the Takko Group in February 2011, all standards effective as of 30 April 2011 were applied for the entire period and therefore also in preparing the opening balance sheet.

2.3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in question in future periods.

Judgments

In the process of applying the entity's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements. Judgments that involve estimations were not taken into account.

Finance lease obligations—Group as lessee

The Group has concluded leases for commercial property, furniture, fixtures and office equipment and IT equipment. Based on an evaluation of the terms and conditions of the leases, the Group has determined that it retains the significant risks and rewards for some of the leases. As a result, the Group classified and recognized these agreements as finance leases.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. The calculation of the amount of the deferred tax assets requires material judgment on the part of management as regards the amount and timing of the future taxable income. For further details, see note 5.

Estimates and assumptions

Estimates generally relate to the determination of useful lives, the assessment of the impairment of intangible assets with indefinite useful lives and goodwill and the measurement of inventories and provisions. Due to the use of these estimates and assumptions, the actual figures may differ in some cases. In such cases, adjustments are recognized in profit or loss at the time new information becomes available.

The key assumptions concerning the future and other major sources of uncertainty in estimations on the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of non-financial assets

On each balance sheet date, the Group assesses whether there is an indication that a non-financial asset may be impaired. Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once a year and whenever there is an indication of impairment. Other non-financial assets are tested for impairment if there is an indication that the carrying amount exceeds the recoverable amount.

Estimating the value in use requires management to make an estimate of the future cash flows expected to be derived from the asset or cash-generating unit and apply an appropriate discount rate to determine the present value of those cash flows. See note 6.1 for more details, including a sensitivity analysis of significant assumptions.

Pensions

The expense from post-employment defined benefit plans is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, the expected return on plan assets, future wage and salary increases, mortality rates and future pension increases. As these plans are of a long-term nature, such estimates are highly uncertain. For further details, see note 6.11.

2.4. Summary of significant accounting policies

Foreign currency translation

The consolidated financial statements are presented in euros, which is the parent's functional currency and the Group's presentation currency. Each entity in the Group determines its own functional currency. Items

included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are translated into the functional currency at the spot rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate on the reporting date. All differences are recognized in profit or loss. Differences on long-term intragroup receivables accounted for as a net investment in a foreign operation are recognized directly in equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. The consolidated financial statements contain no separate financial statements from high-inflation countries.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The financial statements of the subsidiaries are translated into the group currency on the basis of the functional currency using the modified closing rate method. If the modified closing rate method is applied, all assets and liabilities are translated at the closing rate and all income and expenses at the average rate for the period. Equity items are translated at the historical rate. Exchange differences are offset against equity and recognized in the translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. The following exchange rates were used to translate the significant foreign currencies used in the Group.

		Closing rate on 30 Apr 2011	*Average rate for 2010/11*
Swiss Francs	CHF	1,2867	1,2932
Czech Koruny	CZK	24,2230	24,3546
Hungarian Forint	HUF	264,5000	269,1839
Romanian New Lei	RON	4,0780	4,1606
Polish Zloty	PLN	3,9356	3,9800
Lithuanian Litas	LTL	3,4528	3,4528
Croatian Kunas	HRK	7,3615	7,3876
Serbian Dinar	RSD	99,2093	102,6323

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment, when that cost is incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

	Years
Warehouses	60
Factories and administrative buildings	50 to 70
Buildings on third-party land	8*
Furniture, fixtures and office equipment/store fittings	3 to 20

* Contractual leases with terms of 8 years or less

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the asset is derecognized.

The residual values, useful lives and depreciation methods used are reviewed and adjusted as necessary as at each fiscal year-end.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Acquisition-related transaction costs are recognized as an expense and shown under other operating expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill attributable to the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets not acquired as part of a business combination are initially recognized at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. In subsequent periods, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. With the exception of capitalizable development costs, costs for internally generated intangible assets are recognized in profit or loss in the period in which they are incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each fiscal year-end. The required changes to the amortization method over the useful life due to changes in the expected useful life or in the expected consumption of the future economic benefits of the asset are treated as changes to estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement under amortization, depreciation and impairment.

Intangible assets with indefinite useful lives are tested for impairment at least once a year either individually or at the cash-generating unit level. These intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be reasonable. Where applicable, indefinite useful lives are changed to finite useful lives on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount and are recognized in profit or loss in the period in which the asset is derecognized.

Intangible assets with finite lives are amortized on a straight-line basis over the following useful lives:

	Years
Software	3 to 5

A summary of the policies applied to the Group's intangible assets with indefinite useful lives is as follows:

	"Takko" and "1982" brands
Useful life	Indefinite
Amortization method	No amortization
Internally generated or acquired	Acquired

The "Takko" and "1982" brands have indefinite useful lives as they are not subject to the limitations of a license or user agreement. As a result, the Group has unlimited use of the brands on a worldwide scale.

Impairment of non-financial assets

On each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

With the exception of goodwill, assets are assessed at each balance sheet date as to whether there are indications that an impairment loss previously recognized no longer exists or has decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Any reversal is included in the profit or loss for the period.

The following criteria must also be taken into account for certain assets:

Goodwill

Goodwill is tested for impairment on each balance sheet date and at least once a year. A test is also performed if circumstances indicate that the value may be impaired.

Impairment is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group tests goodwill for impairment annually as at the relevant balance sheet date.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment at least once a year, either individually or at the level of the cash-generating unit, as appropriate. A test is also performed if circumstances indicate that the value may be impaired.

Investments and other financial assets

Financial assets within the meaning of IAS 39 are classified as financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. Financial assets are initially recognized at fair value.

In the case of financial assets are not classified at fair value through profit or loss, directly attributable transaction costs are also recognized.

Financial assets are allocated to their respective categories upon initial recognition. Any permitted or necessary reclassifications are done as at the fiscal year-end.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are financial guarantee contracts or are designated and effective hedging instruments. Gains or losses from financial assets held for trading are recognized in profit or loss.

The Group determines whether embedded derivatives should be accounted for separately from the host contract when it first becomes party to the contract. Subsequent reassessment is only permitted if there is a substantial change in the terms of the contract that significantly modifies the cash flows that would otherwise have arisen from the contract.

Held-to-maturity investments

The Group has no held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment and including discounts and premiums paid upon acquisition as well as transaction costs and fees which are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

If there is objective evidence (such as probability of insolvency or significant financial difficulties of the obligor) that not all due amounts of trade receivables will be collected pursuant to the original payment terms, an impairment loss is charged using an allowance account. Receivables are derecognized when they are classified as uncollectible.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. However, the new carrying amount of the asset may not exceed the amortized cost at the date of reversal. The reversal is recognized in profit or loss.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity. If such a financial asset is derecognized or impaired, the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. As in the prior year, the Group has no available-for-sale investments.

Fair value

For investments that are actively traded in organized financial markets, fair value is determined by the quoted market (bid prices) as at the balance sheet date. The fair value of investments that are not quoted on an active market is determined using measurement models. These measurement models include the use of recent arm's length transactions between knowledgeable, willing independent parties, reference to the current fair value of another financial instrument which is substantially the same and the discounted cash flow analysis, etc.

Amortized cost

Held-to-maturity investments and loans and receivables are measured at amortized cost, which is determined using the effective interest method less any impairment and including discounts and premiums paid upon acquisition as well as transaction costs and fees which are an integral part of the effective interest rate.

Impairment of financial assets

The Group tests financial assets or groups of financial assets for impairment at each reporting date.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognized directly in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. However, the new carrying amount of the asset may not exceed the amortized cost at the date of reversal. The reversal is recognized in profit or loss.

Available-for-sale investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (less any principal payments and amortization) and its current fair value (less any impairment loss previously recognized in profit or loss), is transferred from the reserves to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale are not recognized in the income statement. Reversals of impairment losses on debt instruments classified as available for sale are recognized in profit or loss if the increase in the fair value of the instrument can be objectively attributed to an event occurring after the impairment loss was recognized.

Inventories

Inventories are measured in accordance with IAS 2 at the lower of cost or net realizable value. Sales and other risks are taken into account in the calculation of the net realizable value where necessary. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Consumables and supplies are recognized at the lower of cost or net realizable value.

Cash and cash equivalents

Cash and cash equivalents and short-term deposits in the balance sheet comprise cash on hand and bank balances with an original maturity of less than three months.

Cash and cash equivalents in the consolidated statement of cash flows are classified using the above definition.

Financial liabilities

Interest-bearing loans

All loans are initially recognized at fair value net of transaction costs directly associated with the borrowing. They are not measured at fair value through profit or loss.

After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they have been designated as effective hedging instruments. Gains or losses on financial liabilities held for trading are recognized in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive the cash flows of a financial asset expire.

Financial liabilities

A financial liability is derecognized if the contractual obligation underlying the liability is discharged or canceled or if it expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Pensions and other post-employment benefits

Payments for defined contribution plans are recognized as expenses at the time the employees render the service. These payments include contributions to statutory pension insurance and, in particular, direct insurance policies. The Group does not have any other benefit obligations beyond the payment of contributions. Current contributions are recognized as an expense in the relevant year.

The Group has a defined benefit plan for a limited group of people from a previous business combination. These benefits are unfunded. The obligation under the defined benefit plan is determined separately for each beneficiary using the projected unit credit method. Actuarial gains and losses are recognized immediately in profit or loss. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.

Leases

Whether an arrangement contains a lease is determined on the basis of the economic substance of the arrangement at the time of conclusion and requires an assessment as to whether fulfillment of the contractual arrangement is dependent on the use of a certain asset or assets and whether the arrangement provides for the right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized immediately in profit or loss.

If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the leased asset recognized is depreciated over the shorter of the estimated useful life of the asset and its lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Revenue recognition

Revenue is recognized when it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. It is measured at the fair value of the consideration received, excluding discounts, rebates, and VAT or duty. The following recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. This occurs upon handover of the goods at the sales counter.

Interest income

Interest income is recognized as the interest accrues (using the effective interest rate, i.e., the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Royalties and commissions

Royalties from franchise and commission transactions are recognized when the significant risks and rewards from ownership of the goods have passed from the franchise partner to the buyer. This occurs upon transfer of the risk at the collection warehouse at the franchise partner or at the sales counter in Takko stores in the case of commission transactions. The Takko Group generates significant commission from the "bee line" range of products. This net income is recognized net of expenses.

Taxes

Current income taxes

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. They are calculated based on the tax rates and tax laws applicable as at the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the liability method for temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for group financial reporting purposes.

Deferred tax liabilities and assets are recognized for all taxable temporary differences, except:

- where the deferred tax assets/liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are also recognized for unused tax credits when it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which at least part of the deferred tax asset can be utilized. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Future changes to tax rates must be taken into account as at the balance sheet date if material preconditions for validity have been met within the scope of a legislative process.

Deferred taxes relating to items recognized directly in equity are also recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Revenue, expenses and assets are generally recognized net of the amount of VAT (sales taxes) except:

- if the VAT incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable
- if receivables and liabilities are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Derivative financial instruments and hedging relationships

The Group uses derivative financial instruments such as foreign exchange forward contracts and options to hedge foreign exchange rate risk as well as interest rate swaps and caps to hedge interest rate risk. On the date of their inception and also in subsequent periods, these derivative financial instruments are recognized at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognized directly in profit or loss.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturities. The fair value of the interest rate caps and the embedded floor are calculated by reference to market interest rate curves and market volatilities for contracts with similar maturities. The fair value of interest rate swap contracts and foreign exchange options is determined by reference to market values for similar instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows. The hedges are assessed on an ongoing basis to ascertain whether they have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

For hedge accounting purposes, hedges are classified as cash flow hedges if they hedge the exposure to variability in cash flows that is attributable to the particular risk associated with a recognized asset or liability or with a highly probable forecast transaction or the currency risk of an unrecognized firm commitment.

Cash flow hedges

The effective portion of the gain or loss on a hedging instrument is recognized directly in equity, while the ineffective portion is recognized immediately in profit or loss. Amounts recognized in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged finance income or finance expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, cancelled or exercised without replacement or rollover of a hedging instrument into another hedging instrument, or it no longer qualifies for hedge accounting, the amounts previously recognized will remain separately in equity until the forecast transaction occurs or the firm commitment arises.

The Group uses foreign exchange forward contracts and options to hedge its currency risk from forecast transactions. The Group also uses payer swaps and interest rate caps to hedge the interest rate risk from floating-rate loans.

2.5. Standards issued but not yet effective

The IASB and the IFRIC have published the following standards and interpretations which have already been endorsed by the EU in the comitology procedure but which were not yet effective for fiscal year 2010/2011. The Group has not adopted these standards and interpretations early.

Amendment to IAS 24, *Related Party Disclosures*

The revised version of IAS 24 was issued in November 2009 and is effective for periods beginning on or after 1 January 2011. This amendment revised the definition of a related party and provided partial exemption from the disclosure requirements for government-related entities. The amendments will not change the Group's accounting and are not expected to have any effect on related party disclosures.

Improvements to IFRSs – 2010

In May 2010, the IASB published its third collection of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments are generally effective for periods beginning on or after 1 January 2011. Amendments to IFRS 3, IAS 27, IAS 28 and IAS 31 are effective for periods beginning on or after 1 July 2010. The amendments do not have any significant effect on the Group.

IFRIC 14, *Amendment to minimum funding requirements for pension funds*

The amendment to IFRIC 14 was issued in November 2009 and is effective in periods beginning on or after 1 January 2011. The application of IFRIC 14, published in July 2007 for the purpose of limiting a defined benefit asset to its recoverable amount, had some non-intentional consequences for companies in certain countries. The amendment is set to enable the companies to recognize prepayments of a minimum funding requirement as assets. The interpretation does not have any effect on the Group's accounting.

IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 was issued in November 2009 and becomes effective for periods beginning on or after 1 July 2011. The interpretation clarifies that, in the event of issuing equity instruments to creditors to extinguish a financial liability, the equity instrument must be treated as consideration for extinguishing the financial liability. The equity instruments must either be measured at their fair value or at the fair value of the extinguished liability, depending on which can be measured more reliably. Any difference between the carrying amount of the extinguished liability and the fair value of the equity instruments issued is recognized directly in profit or loss. The effect of this interpretation is still being analyzed by the Group.

The following standards and interpretations issued by the IASB and the IFRIC were not yet endorsed by the EU in the comitology procedure.

IFRS 9, *Financial Instruments: Classification and Measurement*

IFRS 9 was developed by the IASB as the first part of the project aimed at the comprehensive revision of the accounting for financial instruments and was issued in two parts. The first part was issued in November 2009 and becomes effective for periods beginning on or after 1 January 2013. This part standard was developed by the IASB as the first part of the project aimed at the comprehensive revision of the accounting for financial instruments and contains new rules for the classification and measurement of financial assets. Under these new rules, financial assets are classified according to their characteristics and business model(s) at either amortized cost or at fair value through profit or loss. Equity instruments must always be recognized at fair value. However, at initial recognition, an entity may elect to present in other comprehensive income subsequent changes in the fair value of an investment in a specific equity. In this case, only certain dividend income from equity instruments is recognized in profit or loss. The effects on recognition and measurement are still being analyzed by the Group.

The second part was issued in October 2010 and also becomes effective for periods beginning on or after 1 January 2013. This part contains the rules for the classification and measurement of financial liabilities. The changes resulting from the amendment only affect the measurement of financial liabilities designated at fair value through profit and loss using the fair value option. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. As the Group did not make use of the fair value option in the past the amendments will not have any effect on the financial statements.

In light of this, the Group is observing the development of the later phases of the project involving the revision of IAS 39.

Amendments to IFRS 7, Financial Instruments: Disclosures

IFRS 7 was issued in October 2010 and becomes effective for periods beginning on or after 1 July 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The first-time application of this standard in the group financial statements is expected to give rise to additional disclosures in the notes.

IAS 12 Income Taxes—Recovery of Underlying Assets

The amendment clarified the determination of deferred tax in investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16, always be measured on the sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IFRS 10, *Consolidated Financial Statements*

IFRS 10 was issued in May 2011 and replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation—Special Purpose Entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard becomes effective for annual periods beginning on or after 1 January 2013. The effects on recognition and measurement are still being analyzed by the Group.

IFRS 11, *Joint Arrangements*

IFRS 11 was issued in May 2011 and replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities—Non-monetary Contributions by Venturers*. IFRS 11 describes the accounting for a "joint arrangement" (joint operations and joint ventures), which is defined as a contractual arrangement over which two or more parties have joint control. The standard removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former jointly controlled entities), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. The standard becomes effective for annual periods beginning on or after 1 January 2013.

As the Group did not have any joint operations or joint ventures the amendments will not have any effect on the group financial statements. Effects on recognition and measurement could be only possible in the case that such arrangements were concluded in the future.

IFRS 12, *Disclosures of Interests in Other Entities*

IFRS 12 was issued in May 2011. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in

IAS 31 *Interests in Joint Ventures* and IAS 28 *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The objective of IFRS 12 is for an entity to disclose information that helps users of its financial statements evaluate the nature of, and risks associated with, its interests in other entities as well as the effects of those interests on its financial position, financial performance and cash flows. The standard requires a number of new disclosures to be disclosed. An entity is now required to disclose, among others, the significant judgments made to determine whether it controls another entity. The standard becomes effective for annual periods beginning on or after 1 January 2013. The first-time application of this standard in the financial statements is expected to give rise to additional disclosures in the notes.

IFRS 13, *Fair Value Measurement*

IFRS 13 was issued in May 2011. The standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard defines fair value in the context of IFRS as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date (exit price). The standard introduces expanded disclosure requirements related to fair value measurements to help users to understand the valuation techniques used to develop fair value measurements and the effects of fair value measurements on profit and loss. The standard becomes effective for annual periods beginning on or after 1 January 2013. The effects on recognition and measurement are still being analyzed by the Group.

Amendment to IAS 19, *Employee Benefits*

The amendments were issued in June 2011 and become effective for periods beginning on or after 1 January 2013. The amendments eliminate, among others, the option to defer the recognition of gains and losses, known as the "corridor method". Instead, all actuarial gains and losses are recognized in OCI as they occur. In addition, the amendments streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations. The amendment also introduces additional disclosure requirements. The effects on recognition and measurement are still being analyzed.

Amendments to IAS 1, Presentation of Financial Statements

The amendments were issued in June 2011. The amendments intend to improve and align the presentation of items of other comprehensive income (OCI) in financial statements prepared in accordance with IFRS and US GAAP. The amendments require companies to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments are effective for annual periods beginning on or after 1 July 2012. The amendment will not have an effect on recognition and measurement but only on presentation for the Group.

The Group currently plans to apply the new and amended standards and interpretations which have been published but are not yet effective in the group financial statements at the respective dates on which they become operative.

3. Business combinations

On 8 February, 2011 Salsa Retail Debtco 1 S.à r.l., Luxembourg, (the "Company") acquired the Takko business from Advent Vision S.à r.l., Luxembourg. Specifically, this business combination included the acquisition of all of the shares in the following entities:

a) Takko Fashion G Eins GmbH via purchase vehicle Takko Fashion GmbH, Germany;

b) Takko Fashion AT Holding GmbH via purchase vehicle Takko Fashion Austria GmbH, Austria; and

c) Takko Fashion NL B.V. via purchase vehicle Takko Holding Netherlands B.V., Netherlands.

The consideration transferred came to EUR 962.2m. This amount includes the consideration transferred for the shares amounting to EUR 759.8m and the consideration transferred for a shareholder loan amounting to EUR 202.4m.

The goodwill of EUR 951.5m comprises the fair value of anticipated growth prospects and the market potential from the business combination. The fair values of the individual identifiable assets and liabilities at the acquisition date are presented below:

in EUR k	*Fair value at closing date*
Assets	
Porperty, plant and equipment	154,396
Intangible assets—other	4,083
Trademarks	203,263
Other assets	27,950
Inventories	276,000
Trade receivables	1,056
Cash and short-term deposits	89,940
Deferred taxes	2,087
Derivative financial instruments	2,985
	761,760
Liabilities	
Liabilities to bank	417,394
Financial liabilities from finance leases	44,604
Provisions for pensions and similar obligations	2,160
Other provisions	4,045
Trade payables	110,654
Other liabilities	45,343
Income tax liabilities	17,803
Deferred taxes	109,094
	751,097
Net assets	**10,663**
Goodwill	**951,537**
Consideration transferred	**962,200**
thereof	
portion of the consideration consisting of cash and cash equivalents	759,810
amount of cash and cash equivalents in the acquired business	(89,940)
aggregate cash flow arising from obtaining control of the Takko business	669,870

* The fair value of the acquired trade receivables amounts to EUR 1,056k. The gross contractual receivable amounts to EUR 1,861k. EUR 805k of the contractual cash flows are not expected to be collected.

In connection with contingent liabilities as of the acquisition date amounting to EUR 3.5m a corresponding indemnification asset has been considered in line with the Share Purchase Agreement.

The analysis for the purpose of allocating the purchase price to significant tangible and intangible assets and liabilities was performed in accordance with international accounting standards. Pursuant to IFRS 3 in conjunction with IAS 38 the "Takko" and "1982" brands were identified as marketing-related intangible assets; the income approach was used as the valuation technique; the relief from royalty method was used as the valuation method; asset values of EUR 189.8m ("Takko") and EUR 13.5m ("1982") were determined. These assets have an indefinite useful life as they are internally generated brands within the Takko Group.

The fair value of inventories was determined using the average expected margins of the purchase performance. A fair value of EUR 276m was determined, in contrast to a previous carrying amount of EUR 124.5m, which reflects a fair value step up amounting to EUR 151.5m. For the short fiscal year from 7 December 2010 to 30 April 2011 an amortization of this step up based on the inventory turnover for the respective period amounting to EUR 82.6m was recognized within cost of materials.

With regard to liabilities, EUR 88.4m was identified as a deferred tax liability that is required to be recognized. The deferred taxes were calculated on the above mentioned PPA adjustments.

For all other balance sheet items there is no significant difference between the fair value and carrying amount.

Transaction costs amounting to EUR 16.6m have been recognized as an expense and are included in other operating expenses.

Since the acquisition date, the acquired Takko Combined Entities generated net revenues amounting to EUR 210.6m and losses for the period amounting to EUR 59.8m (after deducting the losses for the period of the acquisition vehicles). If the structure of the Takko Group had existed as created by the above mentioned acquisition throughout the entire fiscal year from 1 May 2010 to 30 April 2011, the Group would have generated net revenues amounting to EUR 938.5m and loss for the twelve month period amounting to EUR 88.9m.

4. Notes to the income statement

4.1. Net revenue

in EUR k	*7 Dec 2010 – 30 Apr 2011*
Net revenue from the sale of goods	206,749
Net revenue from commission and franchise transactions	3,863
	210,612

Net revenue from the sale of goods comprises the sale of apparel in the Group's retail stores. Net revenue from franchise transactions and commission relates to agreements concluded with a partner in Portugal as well as net income from the sale of "bee line" goods.

4.2 Personnel expenses

in EUR k	*7 Dec 2010 – 30 Apr 2011*
Wages and salaries	35,318
Social security costs	7,143
	42,461

4.3 Other operating income

in EUR k	*7 Dec 2010 – 30 Apr 2011*
Rental from subleasing	325
Income from the reversal of provisions/bad debt allowances	2,090
Cost reimbursements/insurance indemnity payments	723
Foreign exchange gains	72
Miscellaneous	1,301
	4,511

4.4 Other operating expenses

in EUR k	*7 Dec 2010 – 30 Apr 2011*
Expenses for maintenance/renovation	2,468
Logistics expenses such as freight/vehicle costs/third-party services, including wages for contract workers	4,214
Consulting fees	1,512
Travel and entertainment expenses	868
Incidental personnel expenses	1,368
Bank charges and fees	1,025
IT and telephone costs	1,632
Brokerage commission	709
Contributions, fees and dues	751
Transaction and reorganization costs	17,808
Fees for letters of credit	2,184
Miscellaneous	1,939
	36,478

The other operating expenses include transaction costs, amounting to EUR 16.6m, due to the Acquisition

4.5 Financial result

in EUR k	*7 Dec 2010 – 30 Apr 2011*
Finance costs:	
—Senior term loan	(8,684)
—Effects from amortized costs	(985)
—Revolving facility	(315)
—Finance leases	(805)
—Shareholder loan	(3,753)
—Interest rate hedges	(423)
—Other finance costs	(1,984)
	(16,949)
Finance income	
—Interest income from bank balances/deposits	26
—Other interest income	1,357
—Interest rate hedges	90
	1,473
	(15,476)

5. Income taxes

Taxes on income paid or due as well as deferred taxes are stated as income taxes.

The tax expense and income attributable to income taxes breaks down by origin as follows:

Consolidated income statement:

in EUR k	*7 Dec 2010 to 30 Apr 2011*
Deferred income tax expense	20,273
Current income tax expense	231
Income taxes	20,504

Consolidated statement of comprehensive income:

in EUR k	*30 Apr 2011*
Deferred income taxes on items recognized directly in other comprehensive income:	
Deferred taxes on net losses from the revaluation of cash flow hedges	2,788
Tax income recognized in other comprehensive income	**2,788**

The expected income concerning the income tax which would have arisen if the group tax rate of 30% had been applied in determining the IFRS profit or loss before taxes can be reconciled to the income taxes presented in the income statement as follows:

in EUR k	*7 Dec 2010 – 30 Apr 2011*
IFRS loss before income taxes	103,435
Group tax rate in %	30.0%
Expected tax income	**31,031**
Unrecognized deferred taxes on losses/carry forwards arising in the fiscal year	(4,027)
Non-deductible expenses	(6,214)
Other effects	(286)
Tax income as presented in the income statement	**20,504**

As a significant portion of the Takko Group's taxable income is generated in Germany, the group tax rate of 30% is based on German tax legislation.

Non-deductible expenses primarily relate to the interest expenses transaction, finance and lease cost.

As of the balance sheet date, the following tax loss and interest carry forwards were not recognized as it was not sufficiently probable that the loss and interest carry forwards could be utilized:

Germany	30 Apr 2011
Corporate income tax	EUR 167.4m
Trade tax	EUR 1.7m
Interest carry forward	EUR 27.3m
Other European countries	EUR 23.3m

The loss carry forwards in Germany including the interest carry forwards can be utilized for an indefinite period. As Takko Group will establish a unified fiscal entity (*Organschaft*) in Germany as of 1 May 2011, remaining tax losses and interest carry forwards will not be realizable in the foreseeable future.

The unused loss carry forwards in the other countries were mainly from Romania, Austria, Hungary and Poland.

Deferred taxes arising from temporary differences and tax loss carry forwards are presented below:

FY 2010/2011:

in EUR k Temporary Differences	*Deferred tax assets*	*Deferred tax liabilities*	*deferred tax expense (+)/ income (-) affecting net income*
Property, plant and equipment	0	(16,882)	583
Intangible assets	0	(63,286)	2,011
Inventories	0	(18,701)	(24,747)
Derivative financial instruments	4,662	(560)	(1,861)
Other assets	231	0	(226)
Liabilities to bank	0	(2,077)	2,077
Financial liabilities from finance leases	13,406	0	(75)
Other liabilities	0	(744)	1,965
	18,298	(102,250)	(20,273)
	18,298	(102,250)	
Offsetting	(16,419)	16,419	
	1,879	(85,831)	

Deferred tax assets and liabilities break down as follows:

in EUR k	*Balance sheet as of 30 Apr 2011*
Deferred tax assets	1,879
Deferred tax liabilities	85,831
Net position of deferred tax liabilities	**83,952**

6. Notes to the balance sheet

6.1 Intangible assets

The development of intangible assets in the fiscal year is presented in the following table:

in EUR k	*"Takko" brand*	*"1982" brand*	*Goodwill*	*Other concessions and licenses*	*Total*
As of 7 December 2010	0	0	0	0	0
Change in the consolidated group	189,801	13,462	951,537	4,083	1,158,883
Additions	0	0	0	452	452
Amortization/impairment	0	0	0	(325)	(325)
Net carrying amount	**189,801**	**13,462**	**951,537**	**4,210**	**1,159,010**
As of 30 April 2011					
Cost	189,801	13,462	951,537	4,535	1,159,335
Amortization/impairment	0	0	0	(325)	(325)
Net carrying amount	**189,801**	**13,462**	**951,537**	**4,210**	**1,159,010**

The "Takko" and "1982" brands have an indefinite useful life as they are not subject to the limitations of a license or user agreement. The "Takko" and "1982" brands are allocated to Takko Holding GmbH. As a result, the Group has unlimited use of the brand on a worldwide scale.

Goodwill acquired in the business combination with an indefinite useful life was allocated to the cash-generating units for the purpose of impairment testing. The cash-generating units of the Takko Group were grouped by assigned managerial responsibilities for certain geographic regions. Those represent the Group's key operating segments and are subject to monitoring by management. The pro rata carrying amount of goodwill attributable to the operating segments as of 30 April 2011 is presented below:

(in EUR k)	*Pro rata carrying amount of goodwill*
Germany	845,576
Austria/Switzerland	36,059
Czech Republic/Slovakia	17,700
Netherlands/Belgium	39,373
Hungary/Croatia/Slovenia	4,829
Romania	6,446
Poland/Estonia/Lithuania	1,554
Total	**951,537**

The impairment test for trademarks was conducted applying the relief from royalty method and taking into account the revenue assumptions and the discount rate which were also used for performing the goodwill impairment test. The impairment test for goodwill was based on fair value less costs to sell. Cash flow projections for the cash-generating units were used as a basis for the analysis. Using the detailed budget approved by management for fiscal year 2011/2012 and comprehensive strategic analyses as a basis, a 10-year forecast was drawn up reflecting the development of the cash-generating units which is anticipated by the management. The transmission phase for years 11 to 15 served to reconcile the cash flows to be used in the terminal value.

Management based its assumptions used in the cash flow projections in relation to revenue forecasts, gross profit margins and the development of the store portfolio, market shares and growth rates on past experience and market expectations. This involved compiling and analyzing comprehensive market data relating to market potential and price developments in sales and purchases as well as forecasting and optimizing cost development at stores and in central functional areas. For the cash flow projections, the following discount rates after taxes, determined on the basis of a WACC model, were used for each individual cash-generating unit:

	Discount rate after taxes FY 2010/2011
Germany	8.50%
Austria/Switzerland	8.50%/8.50%
Czech Republic/Slovakia	9.50%/9.50%
The Netherlands/Belgium	8.50%/8.50%
Hungary/Croatia/Slovenia	10.50%/10.50%/9.00%
Romania	11.50%
Poland/Estonia/Lithuania	10.50%/9.50%/11.50%

The growth rate in the perpetual annuity was set at 0%.

Based on the underlying assumptions, the impairment test as of 30 April 2011 did not show any indication of impairment.

Sensitivity of assumptions made

The cash flow projections assume continuous revenue growth, based on the expansion of the store portfolio and the associated increase in sales volumes, with the ability of the market to absorb these volumes according to market analyses. If the actual results differ significantly from these assumptions, future impairment cannot be ruled out leading to an impairment of intangible assets with indefinite useful lives.

Taking risk into careful consideration, management is of the opinion that, based on prudent business judgment, no change to the assumptions made in determining the net realizable value of the Takko Group could lead to a situation at present in which the carrying amount of goodwill would significantly exceed the recoverable amount.

With respect to the trademarks “Takko” and “1982” a reasonably possible increase in WACC of 0.5%-points would lead to values of EUR 178.2m respectively EUR 12.7m. Accordingly, the resulting impairment amounts would be EUR 11.6m respectively EUR 0.8m.

6.2 Property, plant and equipment

The development of property, plant and equipment in the fiscal year is presented in the following table:

in EUR k	*Land, land rights and buildings, including buildings on third-party land*	*Furniture, fixtures and office equipment*	*Finance leases*	*Prepayments made and assets under construction*	*Total*
As of 7 December 2010	0	0	0	0	0
Change in the consolidated group	16,689	102,304	32,803	2,600	154,396
Additions	1,489	12,544	2,940	607	17,580
Disposals	0	(671)	0	0	(671)
Reclassifications	0	0	0	(574)	(574)
Exchange differences	0	131	0	7	138
Depreciation	(109)	(6,578)	(2,183)	0	(8,870)
Net carrying amount	**18,069**	**107,730**	**33,560**	**2,640**	**161,999**
As of 30 April 2011					
Cost	18,178	114,308	35,743	2,640	170,869
Depreciation	(109)	(6,578)	(2,183)	0	(8,870)
Net carrying amount	**18,069**	**107,730**	**33,560**	**2,640**	**161,999**

As of 30 April 2011, the carrying amount of buildings held under finance leases amounted to EUR 33,560k. Additions amounting to EUR 2,940k were recognized in the fiscal year. 82% of assets leased under finance leases relate to leased stores, while 18% relate to office buildings. Leased assets and assets under hire purchase agreements are pledged as security for the related finance lease and hire purchase obligations.

6.3 Inventories

The carrying amounts of inventories break down as follows:

in EUR k	*30 Apr 2011*
Merchandise	189,447
Goods in transit	20,715
Raw materials, consumables and supplies	894
	211,056

Inventories primarily comprise merchandise and goods in transit. Consumables and supplies mainly relate to sales aids.

Inventory consumption, recognized as an expense, amounts to EUR 167,799k. This expense is disclosed under cost of materials. These costs of materials include an effect of EUR 82,553k relating to the realization of fair value step up recognized for these inventories in the PPA.

Cost of materials from operational changes to inventories includes the write-down of merchandise. Merchandise was written down EUR 2,828k to the lower net realizable value. The carrying amount of inventories, written down to the lower net realizable value, was EUR 3,678k.

6.4 Trade receivables

in EUR k	*30 Apr 2011*
Receivables from franchisees	113
Other receivables	824
	937

Trade receivables chiefly comprise receivables from franchisees and receivables from the redemption of social welfare vouchers. Trade receivables are non-interest bearing and are generally due in up to 30 days.

For the short fiscal year from 7 December 2010 to 30 April 2011 the allocation of bad debt allowances amounting to EUR 99k.

As of 30 April 2011, there were no receivables from franchisees and no other receivables that were past due and not written down.

6.5 Other assets

in EUR k	*30 Apr 2011*
Financial assets	
Creditors with debit balances	890
Other financial assets	2,903
Other assets	
Receivable from the tax authorities	2,043
Prepayments made	4,256
Receivable from deposit to landlords	5,307
Indemnification assets	3,500
Unamortised debt issuance costs	11,923
Miscellaneous	2,710
	33,532

Unamortised debt issuance costs mainly consists of transaction fees according to the revolving facility and the facility for letters of credit of the senior facilities agreement.

6.6 Cash and cash equivalents

in EUR k	*30 Apr 2011*
Bank balances and cash on hand	45,742
	45,742

Cash at banks earns interest at floating rates based on daily bank deposit rates.

6.7 Equity

The table below breaks equity down into its components:

in EUR k	*30 Apr 11*
EQUITY	
Subscribed capital	99,298
Capital reserves	396,842
Cash flow hedge reserve	(6,463)
Translation reserve	(237)
Accumulated loss	(82,931)
Total equity	**406,509**

Subscribed capital is equal to the capital stock of the parent und amounted to EUR 99,298k as of 30 April 2011. The capital reserves also correspond with those presented in the financial statements of the parent.

As of the balance sheet date, the subscribed capital of EUR 99,298k is represented by 9,929,840,000 shares with a nominal value of EUR 0,01 each and is totally held by Salsa Retail Holding Midco S.à r.l, Luxembourg.

All shares have been fully paid in. Under Luxembourg law, a limited liability company is obliged to transfer 5% of its profit for the year to the legal reserves until this reaches 10% of capital stock.

All capital reserves have been fully paid in cash with exception of the contribution of part of the existing receivable from Advent Vision S.à r.l. to Takko G Zwei GmbH. With contract dated on 8 February 2011 Salsa Retail Holding MidCo S.à r.l. has acquired the existing receivable from Advent Vision S.à r.l. to Takko G Zwei GmbH in the amount of EUR 202.4m. Under an agreement entered into on 8 February 2011 Salsa Retail MidCo S.à r.l. has contributed the Shareholder Loan with Takko G Zwei GmbH to Salsa Retail Holding DebtCo 1 S.à r.l., which contributed the Loan into Salsa Retail Holding DebtCo 2 S.à r.l. Loan plus capitalized and accrued interest amounted to EUR 202.4m as of 8 February 2011. The contribution into Salsa Retail Holding DebtCo 1 S.à r.l. took place against a contribution in kind to the company by Salsa Retail MidCo S.à r.l. as preferred equity certificates (PEC's) in the amount of EUR 74m; the remaining part of the receivable was contributed by Salsa Retail MidCo S.à r.l. in exchange of shares as issued on 8 February 2011.

Cash flow hedge reserve

The cash flow hedge reserve contains the portion of the gain or loss from cash flow hedges that is determined to be effective. The net loss after taxes from cash flow hedges that was recognized in equity for the fiscal year came to EUR -6,463k.

Translation reserve

The translation reserve is used to recognize exchange differences from the translation of the financial statements of foreign operations.

6.8 Interest-bearing loans

In the fiscal year:

in EUR k	*Total*	*thereof: current*	*thereof: non-current*
Senior term loan – tranche A	166,117	10,646	155,471
Senior term loan – tranche B	401,175	384	400,791
Revolving facility	19,015	19,015	0
Other liabilities to banks	3,891	1,763	2,128
Liabilities to bank	**590,198**	**31,808**	**558,390**
Subordinated shareholder loans	261,910	0	261,910
Loans as of 30 Apr 2011	**852,108**	**31,808**	**820,300**

In connection with the business combination as of 8 February 2011, the Takko Group concluded a senior facilities agreement with BNP Paribas S.A., Deutsche Bank AG, Nomura International plc and Unicredit Bank AG as arrangers. The bank loans have the following tranches:

- The category A senior term loan with a total nominal volume of EUR 175m is to be repaid in regular installments by 31 October 2016. The interest rate calculates as EURIBOR (minimum 1.5%) plus a margin of 4.5%.
- The category B senior term loan with a total nominal volume of EUR 425m is to be repaid by 8 February 2018. The interest rate calculates as EURIBOR (minimum 1.5%) plus a margin of 5.0%.
- The revolving facility has a term until 8 February 2017 and a nominal volume of EUR 50m to meet the cash requirements for day-to-day business. An ancillary facility of EUR 10m for rent guarantees was set up as a carve-out of the revolving facility. The cash utilization of the revolving facility as of 30 April 2011 was EUR 19.0m. The utilization of the ancillary facility for rent guarantees amounted to EUR 5.9 m.
- The facility for documentary letters of credit has a term until 8 February 2017 and a nominal volume of EUR 200m. A volume of EUR 198.9m was issued for letters of credit as of 30 April 2011.

As of the balance sheet date, the Group had unutilized loan facilities of EUR 25.1m for cash and cash equivalents, and EUR 1.1m for letters of credit.

The EURIBOR® serves as a base rate for the bank loans, with a minimum interest rate provision of the term loans A, B and the revolving facility of 1.5%.

The Group may select an interest period between one and six months at their own discretion. For the fiscal year 2010/11, interest rate windows of one month were chosen.

Per 8 February 2011 the minimum rate of 1.5% exceeded the market interest level and the risk of the minimum interest rate provision is not "clearly and closely related" to the underlying loans. Therefore the minimum interest rate provision is treated as an embedded derivative to be bifurcated as an interest rate floor. The fair value of the interest rate floor amounted to EUR 4,392k on 8 February 2011 and to EUR 3,492k on 30 April 2011. The difference of the fair values was accounted for in interest income.

As of 30 April 2011, 50% of the term loans A and B were hedged by means of interest rate swaps for the purpose of hedging interest rate risk. Furthermore, 33% of the term loans A and B were hedged by means of interest rate options using interest rate caps.

The following assets belonging to the significant entities mainly serve as collateral for the loans to the financing banks:

- Bank balances
- Receivables
- Inventories
- Other current assets
- Property, plant and equipment

- Intangible assets
- Equity interests

According to the senior facilities agreement, the Group has to achieve certain covenants and KPIs. The financial covenants principally include the following core indicators:

- Interest cover:

  The ratio of consolidated EBITDA to consolidated net finance charges.

- Cashflow cover:

  The ratio of consolidated cash flow to net debt service.

- Debt cover:

  The ratio of consolidated total net debt to consolidated EBITDA. The credit margin is dependent on this covenant.

- Capital expenditure covenant

In this covenant, annual investments are limited to a certain amount.

The financial covenants are tested on a quarterly basis, starting in October 2011.

In addition to the bank loans, subordinated shareholder loans of EUR 258m were raised in connection with the business combination. These shareholder loans were granted in the form of preferred equity certificates. As regards collateral, the shareholder loans are subordinate to the loans issued by the financing banks. As of the balance sheet date of 30 April 2011, the preferred equity certificates are disclosed at a value of EUR 261.8m including capitalized interests.

6.9 Finance leases

The Group has finance leases for various properties and for furniture, fixtures and office equipment. These leases have terms of renewal but no purchase options and escalation clauses. The present value of the future minimum lease payments from finance leases is presented below:

in EUR k	*30 Apr 2011*	
	Minimum lease payments	*Present value of minimum lease payments*
Up to 1 year	14,958	14,471
1 to 2 years	11,968	10,754
2 to 5 years	16,947	13,506
More than 5 years	10,679	6,114
Total	**54,552**	**44,845**
Less interest portion	(9,707)	
Present value of minimum lease payments	**44,845**	

6.10 Derivative financial instruments

in EUR k	*30 Apr 2011*	
	Assets	*Liabilities*
Interest rate swap contracts	748	3
Interest rate options (caps)	3,703	0
Foreign exchange forward contracts	0	15,144
Foreign exchange options	426	0
Embedded interest rate floor	0	3,492
	4,877	18,639

Dated 10 February 2011, an interest swap portfolio with an original nominal volume of EUR 300m and a term from 22 February 2012 until 22 February 2014 was concluded to hedge interest rate risk. As of 30 April 2011, the nominal volume amounted to EUR 300m with a market value of EUR 745k.

Dated 10 February 2011, an interest rate cap agreement was concluded with an original nominal volume of EUR 200m and a term from 22 February 2012 until 22 February 2014 at a purchase price of EUR 3.4m. The purchase price is paid deferred by an annuity over the maturity of the cap agreement. As of 30 April 2011, the nominal volume amounted to EUR 200m with a market value of EUR 3,703k.

The minimum interest rate provision of 1.5% within the interest bearing loans is treated as an embedded derivative to be bifurcated as an interest rate floor. The fair value of the interest rate floor on 30 April 2011 amounted to EUR 3,492k.

The Takko Group also continuously enters into forward exchange contracts to hedge goods purchases from Asia, which are primarily settled in US dollars. The nominal volume of open currency positions amounted to USD 349m. The forward exchange transactions had a negative market value of EUR -15,144k as of 30 April 2011.

6.11 Provisions for pensions and similar obligations

The Company has a defined benefit plan that is closed to new participants. Pension provisions are mainly recognized for employees from the former A&P Group that were initially transferred to Takko ModeMarkt GmbH & Co. KG as part of the spin-off of operations of Takko ModeMarkt GmbH and later to Takko Holding GmbH following the merger of Takko ModeMarkt GmbH & Co. KG. Existing pension obligations are recognized in accordance with the provisions of IAS 19. Valuation is based on the actuarial report of Mercer Human Resource Consulting using the following parameters:

30 April 2011:

Interest rate	= 5.29%
Turnover rate	= none
Future pension increases	= 1.75%
Future salary increases	= 2.00% (incl. career trend)

The biometric calculation parameters were used in accordance with the 2005 G mortality tables published by Dr. Klaus Heubeck.

The obligation is recognized at the amount of the present value of the defined benefit obligation (DBO).

The table below shows the reconciliation of the DBO in the fiscal year:

in EUR k	*30 Apr 2011*
Obligation as of 7 Dec 2010	0
Change in the consolidated group	2,160
Accrual gains and losses	(125)
Interest expense	26
Annuity payments	(41)
Obligation as of 30 Apr 2011	**2,020**

6.12 Other provisions

The development and breakdown of other provisions in the fiscal year is presented in the following table:

in EUR k	*Dismantling measures*	*Rent for vacancy space*	*Severance payments*	*Provision for potential store losses*	*Total*
As of 7 Dec 2011	0	0	0	0	0
Change in the consolidated group	1,220	76	402	2,347	4,045
Allocation	170	50	117	416	753
Reversal	0	0	(57)	(980)	(1,037)
Utilization	0	(6)	(108)	(289)	(403)
As of 30 Apr 2011	**1,390**	**120**	**354**	**1,494**	**3,358**
thereof: current	603	120	354	481	1,558
thereof: non-current	787	0	0	1,013	1,800
Total	**1,390**	**120**	**354**	**1,494**	**3,358**

Provisions for dismantling measures relate to the store leases and reflect the estimated costs of possible dismantling measures for future store closures. The provision for potential store losses contains estimated costs in connection with streamlining the store portfolio.

6.13 Trade payables and other liabilities

Trade payables amounted to EUR 151,318k. All trade payables are due in up to one year and are non-interest bearing.

Other liabilities break down as follows:

in EUR k	*30 Apr 2011*
Other liabilities	
Liabilities to the tax authorities	8,847
Liabilities for social security	975
Liabilities from wages and salaries	3,020
Liabilities from bonus and management bonus agreements and other personnel-related costs	12,634
Liabilities from vacation provisions	4,519
Miscellaneous	2,638
Financial liabilities	
Rent liabilities	4,605
Other financial liabilities	1,986
	39,224

Liabilities to the tax authorities chiefly comprise VAT liabilities as well as wage and church tax. Liabilities from bonus and management bonus agreements relate, among others, to management bonuses as these are not settled until after the close of the fiscal year and are dependent on performance. Rent liabilities mainly relate to lease payments, costs for services and brokerage commission.

7. Contingent liabilities and other financial obligations

in EUR k	*As of 30 Apr 2011*				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Obligations from operating leases	112,345	102,154	214,361	125,396	554,256
Purchase commitments	256,365				256,365
Total	**368,710**	**102,154**	**214,361**	**125,396**	**810,621**

Obligations from operating leases

The Group has concluded lease agreements for warehouses and stores as well as for furniture, fixtures and office equipment such as photocopiers. The lease agreements have a remaining term of between 1 and 10 years. Part of the lease contracts contains renewal options. The lease agreements did not impose any restrictions on the Group.

The present value of obligations from operating leases calculated using a risk and term adequate discount rate is as follows:

	As of 30 Apr 2011				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Present value of obligations from operating leases	108,524	91,477	166,595	74,908	441,504

Operating leases

In fiscal year 2010/2011 lease payments amounting to EUR 25.0m were paid.

Purchase commitments

The Group's obligations from goods purchases amounted to EUR 256,365k. These obligations are short term and due in up to one year.

8. Related party disclosures

Transactions with related parties in fiscal year 2010/2011 are based on the following:

- As of 8 February 2011 Salsa Retail Holding MidCo S.à r.l., Luxembourg granted a portfolio of shareholder loans amounting to a total of EUR 258m to Salsa Retail Holding DebtCo 1 S.à r.l at arm's length. The portfolio of shareholder loans consist of EUR 158m preferred equity certificates ("PECs") bearing interest at the rate of 10.193% per annum, EUR 74m PECs bearing interest at the rate of 0.5% per annum and EUR 26m yield-free PECs. As of 30 April 2011, the loans to Salsa Retail Holding MidCo S.à r.l., including capitalized and accrued interest, amount to EUR 261.8m.

- The following related party relationships exist with business partners and employees through the general manager Alexander Mattschull:

  - Under an agreement entered into on 26 February 2007, Takko Holding GmbH leased premises in Friedrichsdorf, Germany comprising office space, storage space and parking lots from the Eigentümergemeinschaft Mattschull GbR ("Eigentümergemeinschaft"), a partnership formed by Birgit and Alexander Mattschull and represented by Birgit Mattschull. The lease commenced on 1 May 2007 with a fixed term of ten years. The monthly rent under the agreement is set at EUR 14,800 plus VAT (at the applicable rate as amended from time to time on the due date).

  - Takko Holding GmbH has entered into employment agreements with Birthe Mattschull and Irene Mattschull. Birthe Mattschull is married to Alexander Mattschull who is a member of Takko's management board. Birthe Mattschull is employed as a business manager in Takko's purchasing department. Irene Mattschull, Alexander Mattschull's aunt, is employed as a divisional manager in Takko's purchasing department. The individuals named above received salary or consulting remuneration payments under the contractual arrangements named above amounting to a total of EUR 237,440 in the fiscal year 2010/2011.

Terms and conditions of related party transactions

The sales to and purchases from related parties are made at arm's length. Outstanding balances at year-end are not secured, interest free and settled in cash. No guarantees have been provided or received for any related party receivables or payables. There were no receivables from related parties as of the balance sheet date.

Remuneration of the Group's management

The following persons were members of the group parent Salsa Retail Holding DebtCo 1 S.à r.l.'s management in the reporting period:

- Geoffrey Henry
- Isabelle Lentz
- Javier Rigau
- Patrick Schott

Aside from compensation for expenses of EUR 7,500, the general managers of the group parent did not receive any remuneration for their work in fiscal year 2010/2011.

The Group's operational management activities are currently performed by the general managers of Takko Fashion GmbH. The management of Takko Fashion GmbH comprised the following persons during the reporting period and after the balance sheet date:

- Alexander Mattschull, product management/purchasing/logistics
- Stephan Swinka, CEO
- Erika Tertilt, CFO
- Andreas Kromer, sales/expansion

Remuneration of the management of Takko Fashion GmbH since the acquisition of the Takko Group by Salsa Retail Holding DebtCo 1 S.à r.l. breaks down as follows:

	In EUR k
Salaries	916
Other services	13
Total remuneration to key management personnel	929

9. Financial risk management objectives and policies

The main financial liabilities of the Takko Group, other than derivative financial instruments are bank loans, obligations from finance leases, trade payables and shareholder loans. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as receivables, cash and short-term deposits that arise directly from its operations.

The Group also has derivative financial instruments, which as of the balance sheet date included interest rate swaps and interest rate caps to hedge interest rate risk and foreign exchange forward contracts and options to hedge currency risk. All bank loans are currently floating rate loans with a minimum rate provision of 1.5%. The minimum rate provision is treated as an embedded derivative and is bifurcated as an interest floor.

Interest rate risk arises from fluctuations in the floating rates of the bank loans. The aim of the Company is to use interest rate derivatives as a way of turning this risk into foreseeable and secure cash flows as well as setting the limit of cash flows arising from interest payments for the hedged volume. The purpose of the forward exchange contracts and FX options is to hedge currency risks arising from USD goods purchases in Asia. The aim of the Company is to turn financial risks arising from fluctuations in the US dollar rate into foreseeable and secure cash flows.

Derivative financial instruments are not planned to be used for any other purposes at present. The main risks arising from the Group's financial instruments are cash flow interest rate risks, liquidity risks, currency risks and credit risks. The Company's management decides on strategies and processes for managing specific risk types. These are presented below.

Interest rate risk

The risk from changes in market interest rates results mainly from non-current financial floating-rate bank liabilities.

The Group's policy is to manage its interest expense using a mix of fixed and floating rate borrowings. The terms of the bank agreement state that floating rate payments on at least 66.7% of the principal amount outstanding are subject to hedging for a period of at least three years. The Group entered into interest rate swaps and interest rate caps to achieve this. As of 30 April 2011, 50% of the outstanding loan volume of the facilities A and B bore semi-fixed interest. Furthermore, 33% of the outstanding loan volume of the facilities A and B was hedged by means of interest rate options using interest rate caps.

The following table shows the sensitivity of consolidated equity (before deferred tax assets) to a reasonably possible change in interest rates (based on the effect on payer swaps and the intrinsic value of interest rate caps, which are designated as effective hedging instruments in a cash flow hedge). All other factors remain unchanged. The effect on consolidated profit or loss before taxes is not significant.

FY 2010/2011	*Scenario A Parallel shift in the yield curve by 0.5%*	*Scenario B Parallel shift in the yield curve by - 0.5%*
Effect on consolidated equity before taxes in EUR k	6,059	(5,801)

Foreign currency risk

Foreign currency risks for the Group relate almost exclusively to the purchase of goods. Forward transactions are conducted in US dollars on the basis of purchase commitments. Furthermore, anticipatory currency hedges are concluded for a maximum of 18 months based on planned goods purchases less a sufficient discount considering planning uncertainties.

The following table shows the sensitivity of the Group's equity (before deferred taxes) due to changes in the fair values of forward exchange contracts compared with a reasonably possible change in the US dollar exchange rate. All other factors remain unchanged.

FY 2010/2011	*Scenario A USD/EUR = 1.6346*	*Scenario B USD/EUR = 1.3374*
Effect on consolidated equity before taxes in EUR k	(15,532)	19,837

Credit risk

Takko is not subject to significant credit risks from customers as goods are paid for upon handover, with the exception of franchise transactions.

With regard to the other financial assets of the Group, the maximum credit risk in the event of default by a counterparty is the carrying amount of these instruments. The credit risk is limited as mainly cash, receivables from franchise transactions and similar items are involved.

Liquidity risk

The Group continually monitors the risk of potential liquidity shortfalls using a liquidity planning tool. This tool takes into account monthly debits from bank loans as well as expected cash flows from operating activities. The outlook period in each case is the current fiscal year. A short-term statement is also prepared every week one week in advance.

The table below summarizes the maturities of the Group's financial liabilities as of the balance sheet date. The disclosures are made on the basis of the contractual, non-discounted payments.

30 April 2011:

in EUR k	*Total*	*Up to 1 year*	*1 to 2 years*	*2 to 5 years*	*More than 5 years*
Cash flows from bank loans	850,728	69,177	63,115	200,794	517,642
thereof interest	*228,502*	*38,577*	*37,474*	*101,809*	*50,642*
thereof repaid	*622,226*	*30,600*	*25,641*	*98,985*	*467,000*
Finance leases	54,552	14,958	11,968	16,947	10,679
Derivative financial instruments	13,762	14,146	525	(1,690)	781
Trade payables	151,318	151,318			
Other financial liabilities	6,591	6,591			
Total	**1,076,951**	**256,190**	**75,608**	**216,051**	**529,102**

Derivative financial instruments with both negative and positive fair values are included in the liquidity analysis. The fair values were allocated to each respective maturity band. The majority of currency hedges with a negative fair value are stated as current hedges with a term of up to one year, as hedges per 30 April 2011 were mainly with a maturity between 1 and 12 months.

In addition to the financial liabilities presented in the table, there are three shareholder loans of EUR 258m from funding the acquisition of the Takko Group in February 2011. These shareholder loans have a contractual maturity of 29 years with an exit clause. As of the balance sheet date, the likelihood of the exit clause being used within the next 12 months was low. As of the balance sheet date, interest over the entire term amounted to EUR 3.8m. For further details reference is made to Note 8 "Related party disclosures."

As of the balance sheet date, the Group had unutilized loan facilities of EUR 25.1m for cash and cash equivalents, and EUR 1.1m for letters of credit.

Capital management

The bank financing agreement lays out the significant criteria for capital management. Dividend distributions are not possible without the approval of the banks and are also not expected by the shareholders as excess liquidity must be allocated for loan repayments. Capital increases are not generally planned as the shareholder is a private equity fund that carries out all capital contributions as of the time of acquisition.

Additional disclosures on financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Group classifies interest rate caps, floors, swaps, foreign exchange forward contracts and options exclusively as financial instruments measured at fair value and belonging to Level 2.

The following table shows which financial instruments belong to which class as well as the categories pursuant to IAS 39. The fair value of each financial instrument as of the balance sheet date is also disclosed.

	Carrying amount in accordance with IAS 39						
in EUR k	*Category*	*Carrying amount*	*Fair Value recognized directly in equity*	*Fair Value recognized in profit and loss*	*Historical cost/ Amoritized cost*	*Value pursuant to IAS 17*	*FAIR VALUE*
Cash and cash equivalents	L&R	45,742			45,742		45,742
Trade receivables	L&R	937			937		937
Other current assets	L&R	3,793			3,793		3,793
Derivatives							
—Derivatives not in a hedging relationship	FAHfT	3,916		3,916			3,916
—Derivatives in a hedging relationship	n/a	961	961				961
Trade payables	oL	151,318			151,318		151,318
Current interest-bearing loans	oL	31,808			31,808		31,808
Non-current interest-bearing loans	oL	820,300			820,300		820,300
Finance leases—current	n/a	14,471				14,471	14,471
Finance leases—non-current	n/a	30,374				30,374	30,374
Other financial liabilities	oL	6,591			6,591		6,591
Derivatives							
—Derivatives not in a hedging relationship	FLHfT	8,427		8,427			8,427
—Derivatives in a hedging relationship	n/a	10,212	10,212				10,212
Value per category							
	FAHfT	**3,916**	**0**	**3,916**	**0**	**0**	**3,916**
	FLHfT	**8,427**	**0**	**8,427**	**0**	**0**	**8,427**
	L & R	**50,472**	**0**	**0**	**50,472**	**0**	**50,472**
	oL	**1,010,017**	**0**	**0**	1,010,017	0	**1,010,017**

Abbreviations:

FLHfT	Financial liability held for trading
FAHfT	Financial asset held for trading
L&R	Loans and receivables
O/l	Other liabilities
n/a	Not applicable

Losses of EUR 6,463k (net of tax) were incurred from the measurement of derivative financial instruments at their fair value; however, these losses were recognized directly in equity due to their accounting treatment as a cash flow hedge.

For interest-bearing loans as well as loans from the refinancing banks and from the shareholder, the fair value was brought in line with the carrying amount as of 30 April 2011.

This approach gives reason for uncertainty due to the following:

The bank loans are all floating rate notes and therefore in line with the market in terms of basic interest. In this regard, recognizing the fair value at the carrying amount is justified. The margin agreed for each loan is subject to changes in the fair value. However, this effect cannot be quantified, meaning that the carrying amount gives the best basis for estimating the fair value.

The following table shows the net results for each category:

Net gains and losses as of 30 April 2011

	From subsequent measurement			
	From interest	*Foreign currency translation*	*Impairment*	*Net result*
L&R	26	0	38	64
O/l	(13,737)	72	0	(13,665)
Total	**(13,711)**	**72**	**38**	**(13,601)**

Interest from financial instruments is recognized in the financial result.

The result from interest rate hedges and forward exchange contracts before deferred taxes, which are not in a hedging relationship, was insignificant in the reporting year. The result from interest rate hedges in hedging relationships recognized directly in equity (before deferred taxes) amounted to EUR 958k.

The following table shows the change in OCI from derivative financial instruments:

	FY 2010/11
Forward exchange contracts	
Opening balance (fair value)	0
Reclassification to inventories	0
additions to OCI	(10,209)
Closing balance (fair value)	(10,209)
Interest rate hedges	
Opening balance (fair value)	0
Changes to opening balance	958
Closing balance (fair value)	958

10. Segment reporting

For management purposes, the Takko Group is divided in geographical operating segments, as the business is managed at country level respectively at the level of country groups. For segment reporting purposes, the countries were split into three regions: Germany, Western and Central Europe (the Benelux countries, Austria, Switzerland and Italy) and Eastern Europe (Hungary, Romania, Poland, Slovenia, Croatia, Estonia, Lithuania, the Czech Republic, Slovakia and Serbia). The non-operating entities and the consolidations that are set to be performed at group level are shown in a reconciliation. Intersegment sales are made at arm’s length.

Takko’s adjusted EBITDA is of particular use for internal management and for serving as an indicator of the sustainable profitability of its operating segments. Adjusted EBITDA is the result before interest, taxes, depreciation and amortization adjusted for extraordinary effects and reclassifications. Extraordinary effects relate to non-recurring income and expenses; in the abbreviated fiscal year 2010/2011, they mainly included a step-up effect regarding the inventories, transaction costs, allocations to and the use and reversal of provisions for potential store losses and expenses in connection with the store renovation project (normalized expenses for store renovation). Other non-operating profit or loss mainly relates to unrealized exchange gains and losses. The adjustment to the financial result is principally attributable to letter of credit fees.

Operating segments by region (2010/2011)

in EUR k	*Germany*	*Western and Central Europe*	*Eastern Europe*	*Reconciliation*	*Total*
External revenue (gross)	**169,601**	**35,990**	**45,793**	**0**	**251,384**
External net revenue	142,462	30,274	37,876	0	210,612
Internal net revenue	40,133	0	0	(40,133)	0
Total net revenue	**182,595**	**30,274**	**37,876**	**(40,133)**	**210,612**
Adj. EBITDA	**18,837**	**2,595**	**2,469**	**59**	**23,960**
Investments	**11,165**	**2,883**	**3,982**	**2**	**18,032**
Inventories	**109,606**	**12,796**	**19,693**	**68,961**	**211,056**

Reconciliation to the operating result for FY 2010/2011 in EUR k

Adj. EBITDA	**23,960**
Normalized expenses for store renovation	172
Transaction costs	(17,234)
PPA step-up effect	(82,553)
Other non-operating profit or loss	(900)
Amortization and depreciation	(9,219)
Adjustments relating to financial result	(2,185)
Adjusted financial result	(15,476)
EBT	**(103,435)**

Non-current assets by region comprise intangible assets and property, plant and equipment. Non-current assets and inventories are presented on a consolidated basis.

As Takko only operates in one area, the apparel retail market, net revenue by product falls into the product segments “Clothing” and “Other.” The segment “Other” chiefly comprises accessories and concession goods.

No revenue is generated in Luxembourg (registered office of the group parent) and there are also no significant non-current assets (intangible assets and property, plant and equipment).

External net revenue by product breaks down as follows:

2010/2011 in EUR k	*Clothing*	*Other*	*Group*
External revenue (net)	198,381	12,231	210,612

11. Events after the balance sheet date

The following events took place after the balance sheet date:

- Since the balance sheet date, a total of 17 new Takko stores were opened across Europe in the first two months of fiscal year 2011/2012.
- Effective 30 June 2011 the Advisory Board was established. Members of the Advisory Board are:
  - Dr. Georg Baur
  - Fabian Mansson
  - Prof. Dr. Helmut Merkel
  - Robin Mürer
  - Dr. Christian Nä ther
  - Michael Philips
  - Oriol Pinya

Luxembourg, 15 July 2011
The Management

Independent auditor's report

To the Partners

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg

41, Boulevard du Prince Henri

Luxembourg

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Salsa Retail Holding DebtCo 1

S.à r.l., which comprise the consolidated balance sheet as at 30 April 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flows for the period from 7 December 2010 to 30 April 2011, and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Managers determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier." Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé," including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg as of 30 April 2011, and of its financial performance and its cash flows for the period from 7 December 2010 to 30 April 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Jeannot Weyer

Luxembourg, July 15th, 2011

Takko Fashion G Eins GmbH, Telgte

IFRS COMBINED FINANCIAL STATEMENTS

AS OF 30 APRIL 2010

TABLE OF CONTENTS

PAGE

Combined income statement F-100
Combined statement of comprehensive income F-101
Combined balance sheet F-102
Combined statement of changes in equity F-103
Combined statement of cash flows F-104
Notes to the combined financial statements F-105
1. Basis of preparation of the combined financial statements F-105
2. Accounting policies F-108
   2.1 Standards applied F-108
   2.2 Significant accounting judgments, estimates and assumptions F-109
   2.3 Summary of significant accounting policies F-110
   2.4 Standards issued but not yet effective F-119
3. Business combinations F-123
4. Notes to the income statement F-123
   4.1 Net revenue F-123
   4.2 Personnel expenses F-123
   4.3 Other operating income F-123
   4.4 Other operating expenses F-124
   4.5 Financial result F-124
5. Income taxes F-125
6. Notes to the balance sheet F-127
   6.1 Intangible assets F-127
   6.2 Property, plant and equipment F-130
   6.3 Other non-current asset F-130
   6.4 Inventories F-131
   6.5 Trade receivables F-131
   6.6 Other assets F-131
   6.7 Cash and cash equivalents F-132
   6.8 Equity F-132
   6.9 Interest-bearing loans F-133
   6.10 Finance leases F-134
   6.11 Derivative financial instruments F-135
   6.12 Provisions for pensions and similar obligations F-136
   6.13 Other provisions F-136
   6.14 Trade payables and other liabilities F-137
7. Contingent liabilities and other financial obligations F-137
8. Related party disclosures F-138
9. Financial risk management objectives and policies F-141
10. Segment reporting F-146
11. Events after the balance sheet date F-148
Independent Auditor's Report F-149

Combined income statement

For the period from 1 May 2009 to 30 April 2010

(Comparative period from 1 May 2008 to 30 April 2009)

in EUR k	*Note*	*2009/2010*	*2008/2009*
Net revenue	*2.3+4.1*	**789,896**	**680,299**
Cost of materials		(305,589)	(260,013)
Gross profit		**484,307**	**420,286**
Other operating income	*4.3*	11,723	12,139
Personnel expenses	*4.2*	(144,825)	(135,954)
Lease payments incl. costs for services		(129,547)	(116,055)
Marketing expenses		(52,971)	(43,778)
Other operating expenses	*4.4*	(66,286)	(59,204)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets		(34,686)	(30,782)
Operating result		**67,715**	**46,652**
Finance costs	*4.5*	(45,053)	(51,455)
Finance income	*2.3+4.5*	666	1,296
Financial result		**(44,387)**	**(50,159)**
Profit or loss for the period from ordinary operations		**23,328**	**(3,507)**
Profit or loss before taxes		**23,328**	**(3,507)**
Income taxes	*2.3+5.*	(6,274)	(11,134)
Income taxes		**(6,274)**	**(11,134)**
Profit or loss for the period		17,054	(14,641)

Combined statement of comprehensive income

For the period from 1 May 2009 to 30 April 2010

(Comparative period from 1 May 2008 to 30 April 2009)

Other comprehensive income	*Note*	*30 Apr 2010*	*30 Apr 2009*
Profit or loss for the period		**17,054**	**(14,641)**
Foreign Exchange gains / losses	*6.8*	810	(680)
Cash flow hedges	*6.8 + 6.11 +9.0*	13,801	(7,712)
Income taxes relating to components of OCI	*5.0*	(4,114)	2,223
OCI, net of income taxes		10,497	(6,169)
Total comprehensive income (total CI)		**27,551**	**(20,810)**

OCI = other comprehensive income
CI = comprehensive income

Combined balance sheet

As of 30 April 2010

in EUR k	*Note*	*30 Apr 2010*	*30 Apr 2009*
ASSETS			
Non-current assets			
Property, plant and equipment	*6.2*	150,773	151,093
Intangible assets – goodwill	*6.1*	537,812	538,294
Intangible assets – other	*6.1*	82,571	83,726
Other assets	*6.3*	4,613	4,355
Deferred taxes	*5.*	1,965	1,503
Total non-current assets		**777,734**	**778,971**
Current assets			
Inventories	*6.4*	85,361	88,193
Trade receivables	*6.5*	955	847
Other assets	*6.6*	14,216	7,664
Derivative financial instruments	*6.11*	14,664	3,639
Cash and short-term deposits	*6.7*	69,292	47,698
Total current assets		**184,488**	**148,041**
Total assets		**962,222**	**927,012**
EQUITY			
Subscribed capital	*6.8*	78	78
Capital reserves	*6.8*	198,073	198,073
Cash flow hedge reserve	*6.8*	(923)	(10,610)
Translation reserve	*6.8*	262	(548)
Retained Earnings	*6.8*	(86,570)	(103,624)
Total equity		**110,920**	**83,369**
LIABILITIES			
Non-current liabilities			
Shareholder loans	*6.9*	193,213	182,277
Liabilities to banks	*6.9*	435,858	441,566
Financial liabilities from finance leases	*6.10*	34,394	44,840
Provisions for pensions and similar obligations	*6.12*	2,134	1,978
Other provisions	*6.13*	2,637	1,618
Derivative financial instruments	*6.11*	4,655	8,364
Deferred taxes	*5.*	19,662	11,926
Total non-current liabilities		**692,553**	**692,569**
Current liabilities			
Liabilities to banks	*6.9*	5,410	4,624
Financial liabilities from finance leases	*6.10*	13,838	15,757
Other provisions	*6.13*	1,438	2,612
Trade payables	*6.14*	95,250	87,501
Other liabilities	*6.14*	31,253	30,400
Derivative financial instruments	*6.11*	7,341	7,383
Income tax liabilities	*5.*	4,219	2,797
Total current liabilities		**158,749**	**151,074**
Total equity and liabilities		**962,222**	**927,012**

Combined statement of changes in equity

Brought forward from prior year:

in EUR k	*Note*	*Subscribed capital*	*Capital reserves*	*Cash flow hedge reserve*	*Translation reserve*	*Retained Earnings*	*Total equity*
As of 1 May 2008		**78**	**198,073**	**(5,121)**	**132**	**(88,983)**	**104,179**
Profit or loss for the period		0	0	0	0	(14,641)	(14,641)
Other comprehensive income	*2.3*	0	0	(5,489)	(680)	0	(6,169)
Total comprehensive income		0	0	(5,489)	(680)	(14,641)	(20,810)
As of 30 April 2009		**78**	**198,073**	**(10,610)**	**(548)**	**(103,624)**	**83,369**

For the period from 1 May 2009 to 30 April 2010

in EUR k	*Note*	*Subscribed capital*	*Capital reserves*	*Cash flow hedge reserve*	*Translation reserve*	*Retained Earnings*	*Total equity*
As of 1 May 2009		**78**	**198,073**	**(10,610)**	**(548)**	**(103,624)**	**83,369**
Profit or loss for the period		0	0	0	0	17,054	17,054
Other comprehensive income	*2.3*	0	0	9,687	810	0	10,497
Total comprehensive income		0	0	9,687	810	17,054	27,551
As of 30 April 2010		**78**	**198,073**	**(923)**	**262**	**(86,570)**	**110,920**

Combined statement of cash flows

For the period from 1 May 2009 to 30 April 2010

(Comparative period from 1 May 2008 to 30 April 2009)

in EUR k	*1 May 2009 to 30 Apr 2010*	*1 May 2008 to 30 Apr 2009*
Operating activities		
Profit or loss before taxes	23,328	(3,507)
Adjustments to reconcile profit or loss before taxes to net cash flows		
–Depreciation, amortization and impairment of property, plant and equipment and intangible assets	34,686	30,782
–Use of inventories that were measured at fair value in connection with the business combination	0	6,000
–Interest income	(666)	(1,296)
–Interest expenses	45,053	51,455
–Gain or loss on the disposal of non-current assets	1,648	964
–Change in provisions and pension provisions	(99)	1,906
Working capital adjustments:		
–Change in trade and other receivables	(6,659)	144
–Change in inventories	2,286	823
–Change in trade and other payables	7,848	21,091
–Derivative financial instruments	0	0
–Income taxes paid	(2,007)	(1,207)
Net cash from operating activities	105,418	107,155
Investing activities		
Acquisition of a subsidiary net of cash acquired	0	(1,575)
Purchase of property, plant and equipment	(31,539)	(25,851)
Purchase of intangible assets	(1,732)	(3,084)
Interest received	220	1,071
Net cash used in investing activities	(33,051)	(29,439)
Financing activities		
Payment of finance leases	(15,924)	(17,650)
Payments for the purchase of financial instruments	(997)	0
Repayment of loans	(7,070)	(15,000)
Interest paid	(27,319)	(34,580)
Net cash used in financing activities	(51,310)	(67,230)
Net increase in cash and cash equivalents	21,057	10,486
Cash and cash equivalents at the beginning of the period	47,698	37,851
Change in cash and cash equivalents due to foreign exchange gains / losses	537	(639)
Cash and cash equivalents as at the balance sheet date	69,292	47,698

Notes to the combined financial statements

1. Basis of preparation of the combined financial statements

Information on the Group entities

These combined IFRS financial statements consist of the financial statements of Takko Fashion G Eins GmbH, Telgte (Germany), Takko Fashion AT Holding GmbH, Vienna (Austria), Takko Fashion NL B.V., Oldenzaal (The Netherlands) and their subsidiaries and are collectively referred to as "Takko Group combined financial statements" or the "Group combined financial statements."

Takko Fashion G Eins GmbH, Telgte (Germany), was established on 6 June 2007 as a limited liability company and has its registered office in Telgte, Alfred-Krupp-Straße 21. The company is entered in the local district court Muenster under no. HRB 11440.

Takko Fashion AT Holding GmbH, Vienna (Austria), was established on 5 June 2007 as a limited liability company and has its registered office in Vienna, Office Park Objekt 680. The company is entered in the local district court Vienna under no. FN 294286 z.

Takko Fashion NL B.V., Oldenzaal (The Netherlands), was established on 25 April 2008 by Advent Vision S.à r.l. as a limited liability company and has its registered office in Oldenzaal, De Driehoek 34A. The company is entered in the Kamer van Koophandel voor Oost Nederland under no. 08174858.

Advent Vision S.à r.l., Luxembourg, is a limited liability company with its registered office in Luxembourg, 32 Rue Philippe II. The Company is entered in the Registre de Commerce et des Sociétés Luxembourg under no. B 128810.

Both, Takko Fashion G Eins GmbH and Takko Fashion AT Holding GmbH were acquired by Advent Vision S.à r.l. on 25 June 2007.

Takko Fashion G Eins GmbH and Takko Fashion AT Holding GmbH were the acquisition vehicles used by Advent Vision S.à r.l. to acquire the Takko Business, which means the German and Austrian Takko entities and their subsidiaries, in August 2007. Takko Fashion NL B.V. was established after the acquisition in a common control transaction. The operating Dutch entity that was acquired by Advent Vision S.à r.l. in August 2007, was contributed into Takko Fashion NL B.V. using the pooling method based on the carrying amounts recognised in the consolidated financial statements of Advent Vision S.à r.l.

With closing 8 February 2011 Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. and their respective subsidiaries were acquired by Salsa Retail Debtco 1 S.à r.l., Luxembourg. Until that date these companies and their respective subsidiaries were under common control of Advent Vision S.à r.l. (we refer to Note 11. "Events after the balance sheet date")

Takko's main activities comprise product management, purchasing and sale of fashion clothing in the value fashion market segment. The fashion clothing is sold by retail stores operated throughout Europe. Takko's main stores are in Germany, Austria, Switzerland, the Benelux countries and Eastern Europe.

Reason for preparation of the combined financial statements

With closing 8 February 2011 Salsa Retail Debtco 1 S.à r.l., Luxembourg, has acquired the Takko business from Advent Vision S.à r.l., Luxembourg (see events after the balance sheet section). Takko Group is currently considering an offering of Senior Secured Notes (International Private Placement). The Notes will be issued, jointly and severally, by Salsa Retail Holding Debtco 1 S.à r.l. and Takko Holding GmbH.

Because the acquisition by Salsa Retail Debtco 1 S.à r.l. has taken place in February 2011, historical consolidated financial statements of Salsa Retail Debtco 1 S.à r.l., Luxembourg, including Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. and their directly or indirectly held subsidiaries for any period before the acquisition cannot be prepared in accordance with IAS 27 due to the missing parent-subsidiary relationship.

Furthermore consolidated financial statements of Takko Fashion G Eins GmbH including Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. and their directly or indirectly held subsidiaries cannot be prepared in accordance with IAS 27 due to the missing parent-subsidiary relationship as well.

However, it is required to present historical financial information in the offering memorandum that is similar to the financial information for Takko's operative sub-groups as they were acquired by Salsa Retail Debtco 1 S.à r.l in February 2011.

Therefore, the purpose of these combined financial statements is to provide historical financial statements reflecting Takko's operative sub-groups at acquisition date as one reporting unit for the inclusion in the offering memorandum for the offering of Senior Secured Notes.

Preparation of the combined financial statements

The combined financial statements are based on the audited IFRS consolidated financial statements of Advent Vision S.à r.l. as of 30 April 2010 which include Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. and their respective subsidiaries (in the following "sub-groups").

To derive combined financial statements of Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. from the IFRS consolidated financial statements of Advent Vision S.à r.l. as of 30 April 2010 all assets and liabilities and income and expense items directly relating to Advent Vision S.à r.l. were deducted. Furthermore all consolidation procedures relating to the elimination of transactions between Advent Vision S.à r.l. and the sub-groups except of the common control contribution made into Takko Fashion NL B.V after the acquisition of the Takko business in 2007 were reversed.

Accordingly, all transactions balances between the sub-groups presented in the combined financial statements and Advent Vision S.à r.l. are included and disclosed as related party transactions and not eliminated in the combined financial statements. All intergroup balances, intergroup income and expenses and unrealized gains and losses resulting from intergroup transactions between the three sub-groups are eliminated in full.

Therefore, the equity in the combined financial statements represents the sum of the equity of the three sub-groups after considering the elimination of unrealized intergroup gains and losses. Takko Fashion G Eins GmbH and Takko Fashion AT Holding GmbH were used as acquisition vehicles in the acquisition of the German and Austrian Takko entities and their subsidiaries by Advent Vision S.à r.l. The Dutch business was contributed directly after its acquisition by Advent Vision S.à r.l. into Takko NL B.V. in a common control transaction which was recognised based on carrying values recognised in the consolidated financial statements of Advent Vision S.à r.l. Therefore, the combined financial statements include the effects from the purchase price allocation for the acquisition of the Takko business in August 2007.

Advent Vision S.à r.l. is a holding company for the Takko Group and provided financing facilities in form of shareholder loans to the three sub-groups. It did not perform any material management services or other headquarter functions for the subsidiaries. Therefore, no overhead expense and income allocations were required in preparing these combined financial statements.

Comparative information is included as the combined entities were under common control of Advent Vision S.à r.l. in the fiscal year 2008/09.

These combined financial statements do not necessarily reflect the historical consolidated financial information and performance of Takko Fashion G Eins GmbH when it would had acquired the two other sub-groups and would had prepared consolidated financial statements already in the past on a "stand-alone basis." These combined financial statements are also not necessarily indicative for the future performance of the combined entities.

Basis of combined financial statements

The combined financial statements have been prepared on a historical cost basis of accounting, except for derivative financial instruments, which were measured at fair value. The combined financial statements are represented in Euros and all values are rounded to the nearest thousand (EUR k) except when otherwise indicated. Due to rounding differences, figures in tables and cross-references may differ slightly from actual figures.

The fiscal year runs from 1 May to 30 April.

Statement of compliance with IFRSs

Taking into account the specifics to be considered in preparing combined financial statements described above the combined financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the EU. All International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) effective for fiscal year 2009/2010 as well as all interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC) were observed.

The balance sheet is structured in accordance with IAS 1. Balance sheet disclosures break down into current and non-current assets and liabilities; some items are disclosed in the notes by maturity. The income statement is presented in accordance with the nature of expense method.

Basis of consolidation

The combined financial statements include the financial statements of Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. and their direct and indirect subsidiaries as of 30 April of a given fiscal year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date on which the parent ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent using consistent accounting policies.

All intragroup balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full.

Consolidated Group

Besides Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. the combined financial statements of Takko Fashion G Eins GmbH include all German and foreign subsidiaries which Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. directly or indirectly control.

In accordance with IAS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A subsidiary is included in the combined financial statements as of the date on which control over the subsidiary is transferred to Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH or Takko Fashion NL B.V.

In addition to Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. the combined financial statements as of 30 April 2010 include the following entities:

Sub group Takko Fashion G Eins GmbH

Name	*Registered office*	*Equity interest in %*
Takko Fashion (Schweiz) AG	Unterengstringen	100
Takko Fashion Belgium N.V.	Dendermonde	99
Takko Fashion G Zwei GmbH	Telgte	100
Takko Fashion Polska Sp. Z.o.o.	Wroclaw	100
Takko GP GmbH & Co. KG	Telgte	100
Takko Holding GmbH	Telgte	100
Takko Verwaltungs GmbH	Telgte	100
Takko Fashion International S.R.L.	Bucuresti	0.0002
Takko Fashion s.r.o.	Brno	0.1

Sub group Takko Fashion AT Holding GmbH

Name	*Registered office*	*Equity interest in %*
Takko Fashion AT Business Services GmbH	Wien	100
Takko Fashion AT Vermögensverwaltungs GmbH	Wien	100
Takko Fashion International S.R.L.	Bucuresti	99.9998
Takko Fashion Kft.	Budaörs	100
Takko Fashion s.r.o.	Brno	99.9
Takko ModeMarkt GmbH	Wien	100
Takko Fashion Slovakia s.r.o.	Senec	100
Takko Fashion d.o.o.	Ljubljana	100
TK-Fashion OÜ	Tallinn	100
UAB "TK-Fashion"	Kaunas	100
Takko Fashion Croatia d.o.o.	Zagreb	100

Sub group Takko Fashion NL B.V.

Name	*Registered office*	*Equity interest in %*
Takko Nederland B.V.	Oldenzaal	100
Takko Fashion Belgium N.V.	Dendermonde	1

The fiscal year of all subsidiaries included in the combined financial statements is from 1 May to 30 April of the following year. The entity in Romania is the exception; its fiscal year has not been aligned with the group balance sheet date. For the purpose of the combined financial statements, the entity in Romania prepared financials as of 30 April 2010 which were included in the combined financial statements.

The combined financial statements of Takko Fashion G Eins GmbH, Telgte, as of 30 April 2010 were authorized for issue by management resolution on 15 July 2011.

2. Accounting policies

2.1 Standards applied

All standards effective as of 30 April 2010 were applied in preparing the combined financial statements. The accounting policies were applied consistently in the combined financial statements.

The following changes in accounting policies effective for the first time in fiscal year 2009/2010 were taken into account in the combined financial statements:

IAS 1*, Presentation of Financial Statements*

The revised version of IAS 1 was issued in September 2007 and is effective for periods beginning on or after 1 January 2009. The revised standard contains significant changes regarding the presentation and disclosure of financial information in financial statements. The statement of changes in equity only contains transactions with equity holders acting in their capacity as owners. The other changes in equity are disclosed in the statement of comprehensive income, in the form of two statements—an income statement and a statement of comprehensive income. In addition, it requires entities to present a comparative balance sheet as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, make a retrospective restatement or reclassify items in the financial statements. The new standard affects the nature and manner of presenting the Group's financial information, but does not have any effect on the recognition or measurement of assets and liabilities in the combined financial statements.

IFRS 7, ***Enhanced disclosures on financial instruments***

The amendments to IFRS 7 were issued in March 2009 and provide for enhanced disclosures on financial instruments in the notes to the financial statements. In particular, entities must disclose the extent to which the fair values of financial instruments were calculated on the basis of quoted prices in active markets or internal corporate figures not based on observable market data in a fair value hierarchy. Furthermore, the disclosure requirements regarding liquidity risks from financial instruments were expanded. As stipulated by the IASB, these amendments are effective for periods beginning on or after 1 January 2009. The Group amended the disclosures in the notes in accordance with the new provisions of IFRS 7.

IFRS 8, ***Operating Segments***

IFRS 8 was issued in November 2006 and became effective for periods beginning on or after 1 January 2009. IFRS 8 sets out requirements for the disclosure of information on an entity's operating segments and does away with the requirement of IAS 14 to determine primary and secondary segment reporting formats. IFRS 8 follows the management approach to segment reporting which focuses solely on financial information which is evaluated by decision-makers at the entity in managing the business. It is based on the internal reporting and organizational structure as well as on those financial KPIs that are used to make decisions regarding the allocation of resources and the measurement of performance. The Group disclosed information on its operating segments for the first time in accordance with the new standard IFRS 8 when preparing the combined financial statements for fiscal year 2009/2010.

The following new/revised standards and interpretations applied for the first time in fiscal year 2009/2010 did not have a significant effect on the combined financial statements

- IAS 23, *Borrowing Costs*—borrowing costs attributable to a qualifying asset must be capitalized
- Amendments to IFRS 1 and IAS 27—*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to IFRS 2—*Vesting Conditions and Cancellations*
- Amendments to IAS 32 and IAS 1—*Puttable Financial Instruments and Obligations Arising on Liquidation*
- IFRIC 9 and IAS 39—Accounting for Embedded Derivatives on Reclassification
- IFRIC 13, *Customer Loyalty Programmes*
- IFRIC 15, *Agreements for the Construction of Real Estate*
- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*
- 2008 amendments—collection of amendments for removing inconsistencies and clarifying wording of various standards/interpretations
- 2009 amendments—collection of amendments for removing inconsistencies and clarifying wording of various standards/interpretations (voluntarily adopted early)

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Group's combined financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in question in future periods.

Judgments

In the process of applying the entity's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements. Judgments that involve estimations were not taken into account.

Finance lease obligations—Group as lessee

The Group has concluded leases for commercial property, furniture, fixtures and office equipment and IT equipment. Based on an evaluation of the terms and conditions of the leases, the Group has determined that it retains the significant risks and rewards for some of the leases. As a result, the Group classified and recognized these agreements as finance leases.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. The calculation of the amount of the deferred tax assets requires material judgment on the part of management as regards the amount and timing of the

future taxable income as well as consideration of the respective tax losses. The consideration of the respective tax losses reflects the assessment of possible impacts of legal reorganizations within the Group upon the sustainability of the tax loss carry forwards. For further details, see no. 5.

Estimates and assumptions

Estimates generally relate to the determination of useful lives, the assessment of the impairment of intangible assets with indefinite useful lives and goodwill and the measurement of inventories and provisions. Due to the use of these estimates and assumptions, the actual figures may differ in some cases. In such cases, adjustments are recognized in profit or loss at the time new information becomes available.

The key assumptions concerning the future and other major sources of estimation uncertainty on the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of non-financial assets

On each balance sheet date, the Group assesses whether there is an indication that a non-financial asset may be impaired. Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once a year and whenever there is an indication of impairment. Other non-financial assets are tested for impairment if there is an indication that the carrying amount exceeds the recoverable amount.

Estimating the value in use requires management to make an estimate of the future cash flows expected to be derived from the asset or cash-generating unit and apply an appropriate discount rate to determine the present value of those cash flows. See no. 6.1 for more details, including a sensitivity analysis of significant assumptions.

Pensions

The expense from post-employment defined benefit plans is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, the expected return on plan assets, future wage and salary increases, mortality rates and future pension increases. As these plans are of a long-term nature, such estimates are highly uncertain. For further details, see 6.11.

2.3 Summary of significant accounting policies

Foreign currency translation

The combined financial statements are presented in euros, which is the Takko Fashion G Eins GmbH's functional currency and the Group's presentation currency. Each entity in the Group determines its own functional currency. Items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are translated into the functional currency at the spot rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate on the reporting date. All differences are recognized in profit or loss. Differences on long-term intragroup receivables accounted for as a net investment in a foreign operation are recognized directly in equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. The combined financial statements contain no separate financial statements from high-inflation countries.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates on the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The financial statements of the subsidiaries are translated into the Group currency on the basis of the functional currency using the modified closing rate method. Takko Fashion G Eins GmbH's functional currency is the euro. The functional currency of the subsidiaries is the respective local currency.

If the modified closing rate method is applied, all assets and liabilities are translated at the closing rate and all income and expenses at the average rate for the period. Equity items are translated at the historical rate. Foreign exchange gains / losses are offset against equity and recognized in the translation reserve. On disposal of

a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. The following foreign exchange rates were used to translate the significant foreign currencies used in the Group.

		Closing rate on 30 Apr 2010	*Average rate for 2009/2010*
Swiss francs	CHF	1.4341	1.4952
Czech koruny	CZK	25.527	25.894
Hungarian forint	HUF	266.82	271.6874
Romanian new lei	RON	4.13	4.1961
Polish zloty	PLN	3.9163	4.1583
Estonian kroons	EEK	15.6466	15.6466
Lithuanian litas	LTL	3.4528	3.4528
Croatian kunas	HRK	7.253	7.2965

Prior year:

		Closing rate on 30 Apr 2009	*Average rate for 2008/2009*
Swiss francs	CHF	1.5066	1.5554
Czech koruny	CZK	26.701	25.585
Hungarian forint	HUF	289.73	263.40
Romanian new lei	RON	4.1892	3.8702
Polish zloty	PLN	4.3993	3.8186
Estonian kroons	EEK	15.6466	15.6466
Lithuanian litas	LTL	3.4528	3.4528
Croatian kunas	HRK	7.4101	7.2669

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment, when that cost is incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

	Years
Warehouses	60
Factories and administrative buildings	50 to 70
Buildings on third-party land	8*
Furniture, fixtures and office equipment/store fittings	3 to 20

* Contractual leases with terms of 8 years or less

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the asset is derecognized.

The residual values, useful lives and depreciation methods used are reviewed and adjusted as necessary as at each fiscal year-end.

Business combinations and goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost, which, in turn, is defined as the amount by which the cost of the business combination exceeds the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill attributable to the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets not acquired as part of a business combination are initially recognized at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. In subsequent periods, the intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. With the exception of capitalizable development costs, costs for internally generated intangible assets are recognized in profit or loss in the period in which they are incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each fiscal year-end. The required changes to the amortization method over the useful life due to changes in the expected useful life or in the expected consumption of the future economic benefits of the asset are treated as changes to estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement under amortization, depreciation and impairment.

Intangible assets with indefinite useful lives are tested for impairment at least once a year either individually or at the cash-generating unit level. These intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be reasonable. Where applicable, indefinite useful lives are changed to finite useful lives on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount and are recognized in profit or loss in the period in which the asset is derecognized.

Intangible assets with finite lives are amortized on a straight-line basis over the following useful lives:

	Years
Software	3 to 5
Franchises	5

A summary of the policies applied to the Group's intangible assets with indefinite useful lives is as follows:

	"Takko" brand
Useful life	Indefinite
Amortization method	No amortization
Internally generated or acquired	Acquired

The "Takko" brand has an indefinite useful life as it is an internally generated brand of Takko Holding GmbH and not subject to the limitations of a license or user agreement. As a result, the Group has unlimited use of the brand on a worldwide scale.

Impairment of non-financial assets

On each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and is written down to its recoverable amount. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

With the exception of goodwill, assets are assessed at each balance sheet date as to whether there are indications that an impairment loss previously recognized no longer exists or has decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Any reversal is included in the profit or loss for the period.

The following criteria must also be taken into account for certain assets:

Goodwill

The Group determines on each balance sheet date whether there are any indications of impairment of goodwill. Goodwill is tested for impairment at least once a year. A test is also performed if circumstances indicate that the value may be impaired.

Impairment is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group tests goodwill for impairment annually as at the relevant balance sheet date.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment at least once a year, either individually or at the level of the cash-generating unit, as appropriate. A test is also performed if circumstances indicate that the value may be impaired.

Investments and other financial assets

Financial assets within the meaning of IAS 39 are classified as financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. Financial assets are initially recognized at fair value.

In the case of investments not classified at fair value through profit or loss, directly attributable transaction costs are also recognized.

Financial assets are allocated to their respective categories upon initial recognition. Any permitted or necessary reclassifications are done as at the fiscal year-end.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value. Financial assets are classified as held for trading

if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are financial guarantee contracts or are designated and effective hedging instruments. Gains or losses from financial assets held for trading are recognized in profit or loss.

The Group determines whether embedded derivatives should be accounted for separately from the host contract when it first becomes party to the contract. Subsequent reassessment is only permitted if there is a substantial change in the terms of the contract that significantly modifies the cash flows that would otherwise have arisen from the contract.

Held-to-maturity investments

As in the prior year, the Group has no held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment and including discounts and premiums paid upon acquisition as well as transaction costs and fees which are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

If there is objective evidence (such as probability of insolvency or significant financial difficulties of the obligor) that not all due amounts of trade receivables will be collected pursuant to the original payment terms, an impairment loss is charged using an allowance account. Receivables are derecognized when they are classified as uncollectible.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. However, the new carrying amount of the asset may not exceed the amortized cost at the date of reversal. The reversal is recognized in profit or loss.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity. If such a financial asset is derecognized or impaired, the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. As in the prior year, the Group has no available-for-sale investments.

Fair value

For investments that are actively traded in organized financial markets, fair value is determined by the quoted market (bid prices) as at the balance sheet date. The fair value of investments that are not quoted on an active market is determined using measurement models. These measurement models include the use of recent arm's length transactions between knowledgeable, willing independent parties, reference to the current fair value of another financial instrument which is substantially the same and the discounted cash flow analysis, etc.

Amortized cost

Held-to-maturity investments and loans and receivables are measured at amortized cost, which is determined using the effective interest method less any impairment and including discounts and premiums paid upon acquisition as well as transaction costs and fees which are an integral part of the effective interest rate.

Impairment of financial assets

The Group tests financial assets or groups of financial assets for impairment at each reporting date.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the

present value of estimated future cash flows (excluding expected future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment loss is recognized directly in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. However, the new carrying amount of the asset may not exceed the amortized cost at the date of reversal. The reversal is recognized in profit or loss.

Available-for-sale investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (less any principal payments and amortization) and its current fair value (less any impairment loss previously recognized in profit or loss), is transferred from the reserves to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale are not recognized in the income statement. Reversals of impairment losses on debt instruments classified as available for sale are recognized in profit or loss if the increase in the fair value of the instrument can be objectively attributed to an event occurring after the impairment loss was recognized.

Inventories

Inventories are measured in accordance with IAS 2 at the lower of cost or net realizable value. Cost is determined on an item-by-item basis and includes gains and losses recognized in equity on qualifying cash flow hedges in respect of the purchases of goods. Sales and other risks are taken into account in the calculation of the net realizable value where necessary. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Consumables and supplies are recognized at the lower of cost or net realizable value.

Cash and cash equivalents

Cash and cash equivalents and short-term deposits in the balance sheet comprise cash on hand and bank balances with an original maturity of less than three months.

Cash and cash equivalents in the combined statement of cash flows are classified using the above definition.

Financial liabilities

Interest-bearing loans

All loans are initially recognized at fair value net of transaction costs directly associated with the borrowing. They are not measured at fair value through profit or loss.

After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they have been designated as effective hedging instruments. Gains or losses on financial liabilities held for trading are recognized in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights to receive the cash flows of a financial asset expire.

Financial liabilities

A financial liability is derecognized if the contractual obligation underlying the liability is discharged or canceled or if it expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Pensions and other post-employment benefits

Payments for defined contribution plans are recognized as expenses at the time the employees render the service. These payments include contributions to statutory pension insurance and, in particular, direct insurance policies. The Group does not have any other benefit obligations beyond the payment of contributions. Current contributions are recognized as an expense in the relevant year.

The Group has a defined benefit plan for a limited group of people from a previous business combination. These benefits are unfunded. The obligation under the defined benefit plan is determined separately for each beneficiary using the projected unit credit method. Actuarial gains and losses are recognized immediately in profit or loss. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.

Leases

Whether an arrangement contains a lease is determined on the basis of the economic substance of the arrangement at the time of conclusion and requires an assessment as to whether fulfillment of the contractual arrangement is dependent on the use of a certain asset or assets and whether the arrangement provides for the right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized immediately in profit or loss.

If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the leased asset recognized is depreciated over the shorter of the estimated useful life of the asset and its lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Net revenue recognition

Net revenue is recognized when it is probable that economic benefits will flow to the Group and the net revenue can be reliably measured. It is measured at the fair value of the consideration received, excluding discounts, rebates, and VAT or duty. The following recognition criteria must also be met before net revenue is recognized:

Sale of goods

Net revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. This occurs upon handover of the goods at the sales counter.

Interest income

Interest income is recognized as the interest accrues (using the effective interest rate, i.e., the interest rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Royalties

Royalties from franchise and commission transactions are recognized when the significant risks and rewards from ownership of the goods have passed from the franchise partner to the buyer. This occurs upon transfer of the risk at the collection warehouse at the franchise partner or at the sales counter in Takko stores in the case of commission transactions. The Takko Group generates significant commission from the "bee line" range of products. This net income is recognized net of expenses.

Taxes

Current income taxes

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. They are calculated based on the tax rates and tax laws applicable as at the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for Group financial reporting purposes.

Deferred tax liabilities and assets are recognized for all taxable temporary differences, except:

- where the deferred tax assets/liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are also recognized for unused tax credits when it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which at least part of the deferred tax asset can be utilized. Unrecognized deferred tax assets are reviewed at each balance sheet date and recognized to the extent to which it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Future changes to tax rates must be taken into account as at the balance sheet date if material preconditions for validity have been met within the scope of a legislative process.

Deferred taxes relating to items recognized directly in equity are also recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

VAT

Net revenue, expenses and assets are generally recognized net of the amount of VAT (sales taxes) except:

- if the VAT incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable
- if receivables and liabilities are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined balance sheet.

Derivative financial instruments and hedging relationships

The Group uses derivative financial instruments such as forward exchange contracts and interest rate swaps and caps to hedge its risks associated with interest rate and exchange rates. On the date of their inception and also in subsequent periods, these derivative financial instruments are recognized at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognized directly in profit or loss.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturities. The fair value of interest rate swap contracts and interest rate caps is determined by reference to market values for similar instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows. The hedges are assessed on an ongoing basis to ascertain whether they have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

For hedge accounting purposes, hedges are classified as cash flow hedges if they hedge the exposure to variability in cash flows that is attributable to the particular risk associated with a recognized asset or liability or with a highly probable forecast transaction or the currency risk of an unrecognized firm commitment.

Cash flow hedges

The effective portion of the gain or loss on a hedging instrument is recognized directly in equity, while the ineffective portion is recognized immediately in profit or loss. Amounts recognized in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged finance income or finance expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, cancelled or exercised without replacement or rollover of a hedging instrument into another hedging instrument, or it no longer qualifies for hedge accounting, the amounts previously recognized will remain separately in equity until the forecast transaction occurs or the firm commitment arises.

The Group uses forward exchange contracts to hedge its currency risk from forecast transactions. The Group also uses payer swaps and interest rate caps to hedge the interest rate risk from floating-rate loans.

2.4 Standards issued but not yet effective

The IASB and the IFRIC have published the following standards and interpretations which have already been endorsed by the EU in the comitology procedure but which were not yet effective for fiscal year 2009/2010. The Group has not adopted these standards and interpretations early.

IFRS 3, *Business Combinations*

The revised version of IFRS 3 was issued in January 2008 and is effective for periods beginning on or after 1 July 2009. The standard was extensively revised as part of the convergence project of the IASB and the FASB. The main changes include the introduction of an option for the measurement of non-controlling interests, allowing the reporting entity to use either the purchased goodwill method (recognition at the proportionate share of the acquiree's identifiable net assets) or the full goodwill method (the total amount of the goodwill acquired, including goodwill attributable to non-controlling interests). Other important aspects include the revaluation to profit or loss of existing equity interests when control is initially obtained (business combination achieved in stages), mandatory accounting for contingent consideration at the date of acquisition and the recognition of transaction costs in profit or loss. The transitional provisions require prospective application of the revised standard. Assets and liabilities that arose from business combinations prior to the first-time application of the new standard are not affected. The amendments will affect the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. In particular, the application of the full goodwill method may result in higher goodwill. As there were no business combinations in fiscal year 2009/2010, adopting the revised standard would not have any effect on the combined financial statements.

IAS 27, *Consolidated and Separate Financial Statements*

The revised version of IAS 27 was issued in January 2008 and is effective for periods beginning on or after 1 July 2009. The amendments primarily relate to the accounting for non-controlling interests that will in future participate in full in the Group's losses and for transactions that lead to loss of control of a subsidiary and the recognition of such effects in profit or loss. In contrast, the effects of a disposal of an ownership interest that does not result in loss of control are recognized directly in equity. The transitional provisions require prospective application. Assets and liabilities that arose from such transactions prior to the first-time application of the new standard are therefore not affected. Since there are no non-controlling interests in the Group, the application of this standard will not have any effect on the combined financial statements.

Amendments to IAS 39, *Eligible Hedged Items*

The amendments to IAS 39 were issued in July 2008 and are effective retrospectively for periods beginning on or after 1 July 2009. The amendments address the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk. They clarify that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group's hedge accounting is not affected by this amendment.

IFRIC 17, *Distributions of Non-Cash Assets to Owners*

IFRIC 17 was issued in November 2008 and becomes effective for periods beginning on or after 1 July 2009. It provides guidance on the accounting for obligations to distribute non-cash assets to owners, focusing on the timing, measurement and recognition of such obligations. Such an obligation must be recognized at fair value when the entity can no longer cancel it. The obligation and any changes in the fair value of the underlying asset must be recognized in equity. The difference between the fair value and the carrying amount of the asset is only recognized in profit or loss when the asset is transferred to the owners. This interpretation must be applied prospectively. IFRIC 17 will not have any effect on the combined financial statements as the Group does not expect to distribute non-cash assets.

IFRIC 18, *Transfers of Assets from Customers*

IFRIC 18 was issued in January 2009 and becomes effective for periods beginning on or after 1 July 2009. It provides guidance on the accounting for agreements under which an entity receives property, plant and equipment or cash from a customer which it must use, for example, to connect the customer to a network and/or provide the customer with ongoing access to goods and services. The interpretation focuses on the criteria for the

recognition of customer contributions and on the timing and extent of the recognition of net revenue from such transactions. This interpretation must be applied prospectively. IFRIC 18 will not have any effect on the Group because it does not conclude such agreements.

IFRS 2, ***Group Cash-Settled Share-Based Transactions***

In June 2009, the IASB issued amendments to IFRS 2 to clarify how IFRS 2 applies to group cash-settled share-based payment transactions and how they are accounted for. This mainly applies to programs when the entity or subgroup receiving the services has no obligation to settle the transaction with the managers. The amendments become effective for periods beginning on or after 1 January 2010 and have to be applied retrospectively.

Since August 2007, the private equity shareholder has sold shares in Advent Vision S.à r.l., the sole shareholder of Takko Fashion G Eins GmbH, to the management of the Takko Group. Management pooled its shares via Takko Beteiligungs GmbH & Co. KG, which has actual a 23% interest in Advent Vision S.à r.l.

IFRS 2 stipulates how to account for share-based payment transactions. IFRS 2 places particular emphasis on the issue of share options or similar instruments to key management personnel. The existing equity instruments are not risk-free option models for motivating management but instruments that are subject to risk and will only generate a positive return in the event of an exit of the private equity shareholders and certain situations in which employment is terminated. Equity instruments acquired in fiscal years 2007/2008 and 2008/2009 were not done so at preferential conditions but at the same conditions that applied to all private equity shareholders in the transaction conducted in August 2007. Management may not freely sell the shares and bears the full risk.

Due to the above mentioned amendments, the above mentioned equity investment program will fall within the scope of IFRS 2 and will have to be classified as an equity-settled share-based payment transaction at both the level of Advent Vision S.à r.l. and Takko Fashion G Eins GmbH, with a shareholder contribution offsetting any personnel expenses. This is irrespective of how the transaction is classified at the level of the private equity shareholders. However, as the difference between the share prices in Advent Vision S.à r.l. paid by the management of the Takko Group and the respective fair value of these shares ("equity instruments granted") was not significant at the respective dates on which they were granted to management, the amendments will not have significant effects on the balance sheet or income statement.

Amendment to IAS 24, ***Related Party Disclosures***

The revised version of IAS 24 was issued in November 2009 and is effective for periods beginning on or after 1 January 2011. This amendment revised the definition of a related party and provided partial exemption from the disclosure requirements for government-related entities. The amendments will not change the Group's accounting and are not expected to have any effect on related party disclosures.

Improvements to IFRSs—2010

In May 2010, the IASB published its third collection of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments are generally effective for periods beginning on or after 1 January 2011. Amendments to IFRS 3, IAS 27, IAS 28 and IAS 31 are effective for periods beginning on or after 1 July 2010. The amendments do not have any significant effect on the Group.

IFRIC 14, ***Amendment to minimum funding requirements for pension funds***

The amendment to IFRIC 14 was issued in November 2009 and is effective in periods beginning on or after 1 January 2011. The application of IFRIC 14, published in July 2007 for the purpose of limiting a defined benefit asset to its recoverable amount, had some non-intentional consequences for companies in certain countries. The amendment is set to enable the companies to recognize prepayments of a minimum funding requirement as assets. The interpretation does not have any effect on the Group's accounting.

IFRIC 19, ***Extinguishing Financial Liabilities with Equity Instruments***

IFRIC 19 was issued in November 2009 and becomes effective for periods beginning on or after 1 July 2011. The interpretation clarifies that, in the event of issuing equity instruments to creditors to extinguish a

financial liability, the equity instrument must be treated as consideration for extinguishing the financial liability. The equity instruments must either be measured at their fair value or at the fair value of the extinguished liability, depending on which can be measured more reliably. Any difference between the carrying amount of the extinguished liability and the fair value of the equity instruments issued is recognized directly in profit or loss. The effect of this interpretation is still being analyzed by the Group.

The following standards and interpretations issued by the IASB and the IFRIC were not yet endorsed by the EU in the comitology procedure.

IFRS 9, *Financial Instruments: Classification and Measurement*

IFRS 9 was developed by the IASB as the first part of the project aimed at the comprehensive revision of the accounting for financial instruments and was issued in two parts. The first part was issued in November 2009 and becomes effective for periods beginning on or after 1 January 2013. This part standard was developed by the IASB as the first part of the project aimed at the comprehensive revision of the accounting for financial instruments and contains new rules for the classification and measurement of financial assets. Under these new rules, financial assets are classified according to their characteristics and business model(s) at either amortized cost or at fair value through profit or loss. Equity instruments must always be recognized at fair value. However, at initial recognition, an entity may elect to present in other comprehensive income subsequent changes in the fair value of an investment in a specific equity. In this case, only certain dividend income from equity instruments is recognized in profit or loss. The effects on recognition and measurement are still being analyzed by the Group.

The second part was issued in October 2010 and also becomes effective for periods beginning on or after 1 January 2013. This part contains the rules for the classification and measurement of financial liabilities. The changes resulting from the amendment only affect the measurement of financial liabilities designated at fair value through profit and loss using the fair value option. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. As the Group did not make use of the fair value option in the past the amendments will not have any effect on the combined financial statements.

In light of this, the Group is observing the development of the later phases of the project involving the revision of IAS 39.

Amendments to IFRS 7, Financial Instruments: Disclosures

IFRS 7 was issued in October 2010 and becomes effective for periods beginning on or after 1 July 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The first-time application of this standard in the combined financial statements is expected to give rise to additional disclosures in the notes.

IAS 12 Income Taxes—Recovery of Underlying Assets

The amendment clarified the determination of deferred tax in investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16, always be measured on the sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IFRS 10, *Consolidated Financial Statements*

IFRS 10 was issued in May 2011 and replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation—Special Purpose Entities*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard becomes effective for annual periods beginning on or after 1 January 2013. The effects on recognition and measurement are still being analyzed by the Group.

IFRS 11, ***Joint Arrangements***

IFRS 11 was issued in May 2011 and replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities—Non-monetary Contributions by Venturers*. IFRS 11 describes the accounting for a 'joint arrangement'(joint operations and joint ventures), which is defined as a contractual arrangement over which two or more parties have joint control. The standard removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former jointly controlled entities), an entity recognises its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. The standard becomes effective for annual periods beginning on or after 1 January 2013. As the Group did not have any joint operations or joint ventures the amendments will not have any effect on the combined financial statements. Effects on recognition and measurement could be only possible in the case that such arrangements were concluded in the future.

IFRS 12, ***Disclosures of Interests in Other Entities***

IFRS 12 was issued in May 2011. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 *Interests in Joint Ventures* and IAS 28 *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The objective of IFRS 12 is for an entity to disclose information that helps users of its financial statements evaluate the nature of, and risks associated with, its interests in other entities as well as the effects of those interests on its financial position, financial performance and cash flows. The standard requires a number of new disclosures to be disclosed. An entity is now required to disclose, among others, the significant judgments made to determine whether it controls another entity. The standard becomes effective for annual periods beginning on or after 1 January 2013. The first-time application of this standard in the financial statements is expected to give rise to additional disclosures in the notes.

IFRS 13, ***Fair Value Measurement***

IFRS 13 was issued in May 2011. The standard establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard defines fair value in the context of IFRS as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date (exit price). The standard introduces expanded disclosure requirements related to fair value measurements to help users to understand the valuation techniques used to develop fair value measurements and the effects of fair value measurements on profit and loss. The standard becomes effective for annual periods beginning on or after 1 January 2013. The effects on recognition and measurement are still being analyzed by the Group.

Amendment to IAS 19, Employee Benefits

The amendments were issued in June 2011 and become effective for periods beginning on or after 1 January 2013. The amendments eliminate, among others, the option to defer the recognition of gains and losses, known as the `corridor method'. Instead, all actuarial gains and losses are recognised in OCI as they occur. In addition, the amendments streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations. The amendment also introduces additional disclosure requirements. The effects on recognition and measurement are still being analyzed.

Amendments to IAS 1, Presentation of Financial Statements

The amendments were issued in June 2011. The amendments intend to improve and align the presentation of items of other comprehensive income (OCI) in financial statements prepared in accordance with IFRS and US GAAP. The amendments require companies to group together items within OCI that may be reclassified to the profit or loss section of the income statement. The amendments are effective for annual periods beginning on or after 1 July 2012. The amendment will not have an effect on recognition and measurement but only on presentation for the Group.

The Group currently plans to apply the new and amended standards and interpretations which have been published but are not yet effective in the combined financial statements at the respective dates on which they become operative.

3. Business combinations

On 20/24 February 2009, the newly founded Takko-Entities in Slovenia, Lithuania and Estonia took over the former franchise stores in these countries and have since continued operating these as their own Takko stores. The acquisition agreements cover the takeover of the lease agreements, the furniture and fixtures at the stores, remaining stock and the employee contracts. The cost of the acquisition amounted to EUR 3.6m. The fair values of the individually identified assets and liabilities as at the acquisition date amounted to EUR 3.6m, of which EUR 2.3m related to the fair value of the furniture and fixtures acquired at the stores as well as remaining stock. EUR 1.3m related to reacquired franchise rights. The acquisition agreement also contained a provision on the acquisition of a store in Croatia in September 2009 which was acquired in due time in accordance with the agreement. This did not result in any change in the measurement of the fair values of the individual identifiable assets and liabilities.

In the prior year, a new Takko entity was established in Slovakia, which acquired the assets and liabilities as well as agreements and obligations of the former Slovak branch of the Czech Takko entity as part of an intragroup transaction.

4. Notes to the income statement

4.1 Net revenue

in EUR k	*1 May 2009 to 30 Apr 2010*	*1 May 2008 to 30 Apr 2009*
Net revenue from the sale of goods	779,966	669,940
Net revenue from commission and franchise transactions	9,930	10,359
	789,896	680,299

Net revenue from the sale of goods comprises the sale of clothing products in the Takko Group's retail stores. Net revenue from commission and franchise transactions relates to agreements concluded with franchise partners in Portugal and Croatia as well as net income from the sale of "bee line" goods at Takko stores. The agreement concluded with the franchise partner in Croatia was terminated in September 2009 and the former franchise store in this country was taken over by the Takko Group.

4.2 Personnel expenses

in EUR k	*1 May 2009 to 30 Apr 2010*	*1 May 2008 to 30 Apr 2009*
Wages and salaries	119,530	112,366
Social security costs	25,295	23,588
	144,825	135,954

4.3 Other operating income

in EUR k	*1 May 2009 to 30 Apr 2010*	*1 May 2008 to 30 Apr 2009*
Rental income from subleasing	1,574	1,750
Income from the reversal of provisions/bad debt allowances	2,334	2,992
Cost reimbursements/insurance indemnity payments	4,548	4,272
Foreign exchange gains	1,055	0
Miscellaneous	2,212	3,125
	11,723	12,139

4.4 Other operating expenses

in EUR k	*1 May 2009 to 30 Apr 2010*	*1 May 2008 to 30 Apr 2009*
Expenses for maintenance/renovation	17,165	4,583
Logistics expenses such as freight/vehicle costs/third-party services, including wages for contract workers	15,051	18,554
Consulting fees	4,858	4,013
Travel and entertainment expenses	2,924	3,094
Incidental personnel expenses	3,382	3,176
Bank charges and fees	3,881	3,441
IT and telephone costs	5,404	5,240
Brokerage commission	1,142	1,545
Contributions, fees and dues	2,039	1,888
Foreign exchange losses	0	2,843
Transaction and reorganization costs	1,425	5,780
Fees for letters of credit	2,532	2,359
Miscellaneous	6,483	2,688
	66,286	59,204

Completing a major renovation program at the stores incurred additional expenses of EUR 11m.

4.5 Financial result

in EUR k	*1 May 2009 to 30 Apr 2010*	*1 May 2008 to 30 Apr 2009*
Finance costs:		
—Senior term loan	(11,727)	(23,893)
—Second lien loan	(5,881)	(8,278)
—Effects from amortized cost	(2,363)	(1,586)
—Working capital facility	(247)	(424)
—Finance leases	(3,871)	(4,742)
—Interest rate hedges	(9,905)	(2,064)
—Shareholder loan	(10,937)	(10,344)
—Other finance costs including transaction costs attributable to financing	(122)	(124)
	(45,053)	**(51,455)**
Finance income:		
—Interest income from bank balances/deposits	190	956
—Other interest income	29	39
—Loan to Advent Vision S.à r.l.	258	249
—Interest rate hedges	189	0
—Interest income from interest hedges	0	52
	666	**1,296**
	(44,387)	(50,159)

Interest expenses for loans dropped considerably on the back of low interest rates. The underlying margins of the bank loans were also reduced in comparison for the prior-year period as the debt cover ratio improved. The interest effect reflected in other finance costs is partly offset as higher compensation payments were made for interest rate swaps as a result of the increased difference between variable and fixed interest rates.

5. Income taxes

Taxes on income paid or due as well as deferred taxes are stated as income taxes.

The tax expense and income attributable to income taxes breaks down by origin as follows:

Combined income statement:

in EUR k	*1 May 2008 to 30 Apr 2009*
Deferred tax expense	(7,755)
Income taxes	(3,379)
Income taxes	(11,134)

in EUR k	*1 May 2009 to 30 Apr 2010*
Deferred tax expense	(3,160)
Income taxes	(3,114)
Income taxes	(6,274)

Other comprehensive income:

EUR k	*30 Apr 2010*	*30 Apr 2009*
Deferred income taxes on items recognized directly in other comprehensive income:		
Deferred taxes on net losses from the revaluation of cash flow hedges	(4,114)	2,223
Tax income recognized in other comprehensive income	**(4,114)**	**2,223**

The expected income tax income which would have arisen if the Group tax rate of 30% had been used in determining the IFRS profit or loss before taxes can be reconciled as follows to the income taxes presented in the income statement:

in EUR k	*1 May 2008 to 30 Apr 2009*
IFRS profit or loss before income taxes	(3,507)
Group tax rate in %	30.0%
Expected tax expense (-)/income (+)	**1,052**
Unrecognized deferred taxes on interest/loss carryforwards and the non-recognition of interest (interest limitation rules)/tax loss carryforwards arising in the fiscal year	(9,719)
Non-deductible expenses	(2,823)
Other effects	356
Tax expense as presented in the income statement	**(11,134)**

in EUR k	*1 May 2009 to 30 Apr 2010*
IFRS profit or loss before income taxes	23,328
Group tax rate in %	30.0%
Expected tax expense (-)/income (+)	**(6,998)**
Unrecognized deferred taxes on loss carryforwards and the non-recognition of tax loss carryforwards arising in the fiscal year	(1,246)
Utilization of tax loss carryforwards	3,519
Non-deductible expenses	(833)
Trade tax add-backs	(2,266)
Tax expenses and income relating to other periods	290
Effects of differing tax rates on income of foreign operations	516
Other effects	744
Tax expense as presented in the income statement	**(6,274)**

Non-deductible expenses primarily relate to the lease and interest expenses attributable to the German entities that are only partially deductible from trade tax.

As a significant portion of the Takko Group's taxable income is generated in Germany, the Group tax rate of 30% is based on German tax legislation.

As of the balance sheet date, the following tax loss and interest carryforwards were not recognized as it was not sufficiently probable that the loss and interest carryforwards could be utilized:

Germany	*30 Apr 2010*	*30 Apr 2009*
Corporate income tax	EUR 38m	EUR 86m
Trade tax	EUR 0m	EUR 0m
Interest carryforward	EUR 35m	EUR 26m
Other European countries	EUR 21m	EUR 15m

The loss carryforwards in Germany including the interest carryforward can be utilized for an indefinite period.

90% of the unused loss carryfowards in the other countries were from Romania, Austria, Hungary and Poland. Some 40% of the loss carryforwards cannot be utilized for an indefinite period.

Deferred taxes arising from temporary differences and tax loss carryforwards are presented below:

FY 2008/2009:

in EUR k	*30 Apr 2009 Deferred tax assets*	*30 Apr 2009 Deferred tax liabilities*	*2008/2009 Deferred tax expense (+)/income (-) recognized in profit and loss*
Temporary differences:			
Property, plant and equipment	0	(20,457)	(1,731)
Intangible assets—goodwill	0	(13,213)	7,928
Intangible assets—other	0	(24,094)	153
Inventories	647	0	(1,877)
Other financial assets	315	0	(128)
Liabilities to banks	223	0	62
Financial liabilities from finance leases	18,126	0	3,154
Provisions for pensions and similar obligations	55	0	(4)
Other liabilities	2,125	0	(1,944)
Derivative financial instruments	3,632	0	1,149
	25,123	(57,764)	6,762
Loss carryforwards	40,557	0	4,092
Loss carryforwards not recognized	(18,339)	0	(3,099)
Loss carryforwards recognized	22,218	0	993
	47,341	(57,764)	7,755
Offsetting	(45,838)	45,838	0
	1,503	(11,926)	7,755

FY 2009/2010:

in EUR k	30 Apr 2010 Deferred tax assets	30 Apr 2010 Deferred tax liabilities	2009/2010 Deferred tax expense (+)/income (-) recognized in profit and loss
Temporary differences:			
Property, plant and equipment	0	(16,843)	(3,615)
Intangible assets—goodwill	0	(21,141)	7,928
Intangible assets—other	0	(23,515)	(579)
Inventories	1,872	0	(1,225)
Other financial assets	365	0	(50)
Liabilities to banks	614	0	(391)
Financial liabilities from finance leases	14,461	0	3,665
Provisions for pensions and similar obligations	103	0	(48)
Other liabilities	1,587	0	538
Derivative financial instruments		(800)	319
	19,002	(62,299)	6,542
Loss carryforwards	44,098	0	(3,541)
Loss carryforwards not recognized	(18,498)	0	159
Loss carryforwards recognized	25,600	0	(3,382)
	44,602	(62,299)	3,160
Offsetting	(42,637)	42,637	0
	1,965	(19,662)	3,160

Deferred tax assets and liabilities break down as follows:

in EUR k	Balance sheet as of 30 Apr 2010	Balance sheet as of 30 Apr 2009
Deferred tax assets	1,965	1,503
Deferred tax liabilities	19,662	11,926
Net position of deferred tax liabilities	**17,697**	**10,423**

6. Notes to the balance sheet

6.1 Intangible assets

The development of intangible assets in the prior year is presented in the following table:

in EUR k	"Takko" brand	Franchises	Goodwill	Other concessions and licenses	Total
As of 1 May 2008	74,530	5,460	538,294	1,552	619,836
Additions	0	1,300	0	1,726	3,026
Reclassifications	0	0	0	1,359	1,359
Amortization/impairment	0	(1,322)	0	(879)	(2,201)
Net carrying amount	**74,530**	**5,438**	**538,294**	**3,758**	**622,020**
As of 30 April 2009					
Cost	74,530	7,600	538,294	4,958	625,382
Accumulated amortization and accumulated impairment	0	(2,162)	0	(1,200)	(3,362)
Net carrying amount	**74,530**	**5,438**	**538,294**	**3,758**	**622,020**

The development of intangible assets in the fiscal year is presented in the following table:

in EUR k	*"Takko" brand*	*Franchises*	*Goodwill*	*Other concessions and licenses*	*Total*
As of 1 May 2009	74,530	5,438	538,294	3,758	622,020
Additions	0	0	0	1,646	1,646
Disposals	0	0	0	(1)	(1)
Reclassifications	0	0	0	85	85
Amortization/impairment	0	(1,631)	(482)	(1,254)	(3,367)
Net carrying amount	**74,530**	**3,807**	**537,812**	**4,234**	**620,383**
As of 30 April 2010					
Cost	74,530	7,600	538,294	6,689	627,113
Accumulated amortization and accumulated impairment	0	(3,793)	(482)	(2,455)	(6,730)
Net carrying amount	**74,530**	**3,807**	**537,812**	**4,234**	**620,383**

Intangible assets were amortized by EUR 3,367k (prior year: EUR 2,201k) in the fiscal year. An impairment loss of EUR 482k (prior year: EUR 0k) was also charged on goodwill.

The "Takko" brand has an indefinite useful life as it is not subject to the limitations of a license or user agreement. The "Takko" brand is allocated to Takko Holding GmbH. As a result, the Group has unlimited use of the brand on a worldwide scale.

Goodwill acquired in the business combination with an indefinite useful life was allocated to the cash-generating units for the purpose of impairment testing. The significant cash-generating units of the Takko Group were defined by territorial group, as the local companies represent the Group's key operating segments and are subject to monitoring by management. The following cash-generating units have been identified:

(in EUR k)	*Pro rata carrying amount of goodwill*
Germany	490,905
Austria	20,761
Czech Republic/Slovakia	12,987
Netherlands	7,841
Hungary	4,060
Romania	1,740
Total	**538,294**

The impairment test for trademarks was conducted applying the relief from royalty method, taking into account net revenue and the discount rate which were also used for planning the goodwill impairment test. The impairment test for goodwill was based on the fair value less costs to sell. Cash flow projections for the cash-generating units were used as a basis for the analysis. Using the detailed budget approved by management for fiscal year 2009/2010 and comprehensive strategic analyses as a basis, a 10-year forecast was drawn up reflecting in full management's anticipated development of the cash-generating units. The transmission phase for years 11 to 15 served to reconcile the cash flows to be used in the terminal value.

Management based its assumptions used in the cash flow projections in relation to net revenue forecasts, gross profit margins and the development of the store portfolio, market shares and growth rates on past experience and market expectations. This involved compiling and analyzing comprehensive market data relating to market potential and price developments in sales and purchases as well as forecasting and optimizing cost development at stores and in central functional areas. For the cash flow projections, the following discount rates after taxes, determined on the basis of a WACC model, were used for each individual cash-generating unit:

	Discount rate after taxes	
	FY 2009/2010	*FY 2008/2009*
Germany	9.0%	10.0%
Austria	9.0%	10.0%
Czech Republic/Slovakia	10.0%/10.0%	11.0%/11.0%
Netherlands	9.0%	10.0%
Hungary	11.0%	11.0%
Romania	11.5%	14.0%

The growth rate in the perpetual annuity was set at 0% (prior year: 0%).

Based on the underlying assumptions, the impairment test as of 30 April 2010 identified impairment of EUR 482k on the goodwill allocated to Hungary. The pro rata carrying amount of goodwill attributable to the operating segments as of 30 April 2010 is presented below:

(in EUR k)	*Pro rata carrying amount of goodwill*
Germany	490,905
Austria	20,761
Czech Republic/Slovakia	12,987
Netherlands	7,841
Hungary	3,579
Romania	1,740
Total	**537,812**

Sensitivity of assumptions made

The key assumption made in the forecasts is that of significant net revenue growth, based on the development of the store portfolio and the associated increased in sales volumes, with the ability of the market to absorb these volumes being assumed based on market analyses. If the actual results differ significantly from these assumptions, future impairment cannot be ruled out due to impairment of intangible assets with indefinite useful lives.

Taking risk into careful consideration, management is of the opinion that, based on prudent business judgment, no reasonably possible change to the assumptions made in determining the net realizable value of the Takko Group could lead to a situation at present in which the carrying amount of goodwill would significantly exceed the recoverable amount.

6.2 Property, plant and equipment

The development of property, plant and equipment in the prior year is presented in the following table:

in EUR k	*Land, land rights and buildings, including buildings on third-party land*	*Furniture, fixtures and office equipment*	*Finance leases*	*Prepayments made and assets under construction*	*Total*
As of 1 May 2008	18,743	77,324	51,073	4,894	152,034
Additions	153	29,207	3,452	361	33,173
Disposals	0	(1,371)	(1,516)	(104)	(2,991)
Reclassifications	(1,778)	3,716	0	(3,298)	(1,360)
Foreign exchange gains/losses	0	(1,966)	0	(112)	(2,078)
Depreciation/impairment	(382)	(17,590)	(9,713)	0	(27,685)
Net carrying amount	**16,736**	**89,320**	**43,296**	**1,741**	**151,093**
As of 30 April 2009					
Cost	17,520	116,995	59,675	1,741	195,931
Accumulated depreciation and accumulated impairment	(784)	(27,675)	(16,379)	0	(44,838)
Net carrying amount	**16,736**	**89,320**	**43,296**	**1,741**	**151,093**

The development of property, plant and equipment in the fiscal year is presented in the following table:

in EUR k	*Land, land rights and buildings, including buildings on third-party land*	*Furniture, fixtures and office equipment*	*Finance leases*	*Prepayments made and assets under construction*	*Total*
As of 1 May 2009	16,736	89,320	43,296	1,741	151,093
Additions	307	28,010	0	3,308	31,625
Disposals	(1)	(4,585)	(893)	0	(5,479)
Reclassifications	0	424	0	(509)	(85)
Foreign exchange gains/losses	0	1,377	0	42	1,419
Depreciation/impairment	(405)	(18,909)	(8,486)	0	(27,800)
Net carrying amount	**16,637**	**95,637**	**33,917**	**4,582**	**150,773**
As of 30 April 2010					
Cost	17,826	142,222	58,782	4,582	223,412
Accumulated depreciation and accumulated impairment	(1,189)	(46,585)	(24,865)	0	(72,639)
Net carrying amount	**16,637**	**95,637**	**33,917**	**4,582**	**150,773**

Property, plant and equipment was depreciated by EUR 31,319k (prior year: EUR 28,582k) in the fiscal year. An impairment loss of EUR 2,482k (prior year: EUR 761k) was also charged. Impairment losses mainly relate to stores that report ongoing losses.

As of 30 April 2010, the carrying amount of buildings held under finance leases amounted to EUR 33,917k (prior year: EUR 43,296k). There were no additions recognized in the fiscal year (prior year: EUR 3,452k) 81% of assets leased under finance leases relate to leased stores, while 19% relate to office buildings. Leased assets and assets under hire purchase agreements are pledged as security for the related finance lease and hire purchase obligations.

6.3 Other non-current asset

Takko Holding granted a loan of EUR 4m to the shareholder Advent Vision S.à r.l. shown as other non-current asset. Loan plus capitalized and accrued interest amounted to EUR 4.5m as of 30 April 2010 (prior year: EUR 4.2m).

6.4 Inventories

The carrying amounts of inventories break down as follows:

in EUR k	*30 Apr 2010*	*30 Apr 2009*
Merchandise	73,098	77,714
Goods in transit	11,802	9,911
Raw materials, consumables and supplies	461	568
	85,361	88,193

Inventories primarily comprise merchandise and goods in transit. Consumables and supplies mainly relate to sales aids.

Inventory consumption, recognized as an expense, amounts to EUR 305,589k (prior year: EUR 260,013k). This expense is disclosed under cost of materials. Cost of materials includes EUR 305,589k (prior year: EUR 254,013k) from operational changes to inventories and EUR 6,000k from the prior year from sales of inventories recognized at fair value in the PPA analysis.

Cost of materials from operational changes to inventories includes the write-down of merchandise. Merchandise was written down EUR 8,236k (prior year: EUR 6,706k) to the lower net realizable value. The carrying amount of inventories, written down to the lower net realizable value, was EUR 8,805k (prior year: EUR 8,928k).

6.5 Trade receivables

in EUR k	*30 Apr 2010*	*30 Apr 2009*
Receivables from franchises	579	839
Other receivables	958	666
Bad debt allowances	(582)	(658)
	955	847

Trade receivables chiefly comprise receivables from franchisees and receivables from the redemption of social welfare vouchers. Trade receivables are non-interest bearing and are generally due in up to 30 days.

As of 30 April 2010, bad debt allowances of EUR -582k had been charged on trade receivables (prior year: EUR -658k). The development of the allowance account is presented in the following table.

in EUR k	*1 May 2009 to 30 Apr 2010*	*1 May 2008 to 30 Apr 2009*
As of 1 May 2009 (prior year: 1 May 2008)	(658)	(6)
Allocation	(50)	(658)
Utilization/reversal	126	6
	(582)	(658)

As of 30 April 2010, there were no receivables from franchises and no other receivables that were past due and not written down.

6.6 Other assets

in EUR k	*30 Apr 2010*	*30 Apr 2009*
Financial assets		
Creditors with debit balances	387	479
Other financial assets	4,658	3,069
Other assets		
Receivables from the tax authorities	1,771	1,074
Prepayments made	5,288	1,089
Miscellaneous	2,112	1,953
	14,216	7,664

6.7 Cash and cash equivalents

in EUR k	*30 Apr 2010*	*30 Apr 2009*
Bank balances and cash on hand	69,292	47,698
	69,292	47,698

Cash at banks earns interest at floating rates based on daily bank deposit rates.

6.8 Equity

The table below breaks equity down into its components:

in EUR k	*30 Apr 2010*	*30 Apr 2009*
EQUITY		
Subscribed capital	78	78
Capital reserves	198,073	198,073
Cash flow hedge reserve	(923)	(10,610)
Translation reserve	262	(548)
Accumulated loss	(86,570)	(103,624)
Total equity	**110,920**	**83,369**

Subscribed capital is equal to the capital stock of Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. and amounted to EUR 78k (prior year: EUR 78k) as of 30 April 2010. The capital reserves also correspond with those presented in the financial statements of the three mentioned companies.

Advent Vision S.à r.l., Luxembourg, is the sole shareholder of Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V.

As of the balance sheet date, the subscribed capital of the Group broke down as follows:

in EUR k	*30 Apr 2010*	*30 Apr 2009*
Takko Fashion G Eins GmbH	25	25
Takko Fashion AT Holding GmbH	35	35
Takko Fashion Nederland B.V.	18	18
Total	78	78

Cash flow hedge reserve

The cash flow hedge reserve contains the portion of the gain or loss from cash flow hedges that is determined to be effective.

The net loss after taxes from cash flow hedges that was recognized in equity for the fiscal year came to EUR -923k (prior year: net loss of EUR -10,610k).

Translation reserve

The translation reserve is used to recognize foreign exchange gains/losses from the translation of the financial statements of foreign operations as well as from applying IAS 21 for the consolidation of long-term loans.

6.9 Interest-bearing loans

In the prior year:

in EUR k	*Total*	*thereof: current*	*thereof: non-current*
Senior term loan—tranche A	44,402	4,004	40,398
Senior term loan—tranche B	187,256	18	187,238
Senior term loan—tranche C	137,898	15	137,883
Second lien tranche	79,221	17	79,204
Shareholder loan	182,277	0	182,277
Amortized cost facility D, revolving facility, ancillary facility	(3,886)	(729)	(3,157)
Other liabilities to banks	1,299	1,299	0
Loans as of 30 April 2009	**628,467**	**4,624**	**623,843**

In fiscal year 2009/2010:

in EUR k	*Total*	*thereof: current*	*thereof: non-current*
Senior term loan—tranche A	39,641	5,002	34,639
Senior term loan—tranche B	188,029	13	188,016
Senior term loan—tranche C	136,365	13	136,352
Second lien tranche	79,296	16	79,280
Shareholder loan	193,213	0	193,213
Amortized cost facility D, revolving facility, ancillary facility	(3,158)	(729)	(2,429)
Other liabilities to banks	1,095	1,095	0
Loans as of 30 April 2010	**634,481**	**5,410**	**629,071**

Effective interest rates, without taking into account interest rate hedges, break down as follows:

Effective interest rates:

	30 Apr 2010	*30 Apr 2009*
Senior term loan—tranche A	2.5%	3.6%
Senior term loan—tranche B	2.8%	3.9%
Senior term loan—tranche C	3.6%	4.4%
Second lien loan	7.2%	8.0%
Shareholder loan	6.0%	6.0%

In connection with the business combination in August 2007, the Takko Group concluded a senior term and second lien facilities agreement with Hypovereinsbank as main lead arranger. The bank loans have the following tranches:

- Category A, B and C senior term loans with a total nominal volume of EUR 368m (prior year: EUR 375m); the tranche A loan is to be repaid in regular installments by 30 September 2014; the tranche B and C loans are to be repaid by 30 September 2015 and 30 September 2016, respectively; in fiscal year 2009/2010, EUR 5m (prior year: EUR 5m) of the tranche A loan was repaid voluntarily and the repayment installments were adjusted accordingly. EUR 2m of the tranche C loan was repaid by way of a special payment (excess cash flow)
- The second lien loan with a nominal volume of EUR 80m (prior year: EUR 80m) was fully utilized and is repayable on 31 March 2017
- The working capital facility has a term until 30 September 2014 and a nominal volume of EUR 45m (prior year: EUR 45m) to meet the cash requirements for day-to-day business as well as EUR 5m (prior year: EUR 5m) for rent guarantees The working capital facility was not utilized as of 30 April 2010
- Guarantee facilities have a term until 30 September 2014 and a nominal volume of EUR 110m (prior year: EUR 110m) as well as a term until 30 April 2011 (prior year: EUR 0m) and a nominal volume of EUR 15m for letters of credit; EUR 102m (prior year: EUR 106m) of the loans was utilized for letters of credit as of 30 April 2010

- Loan for future acquisitions and business expansions with a nominal volume of EUR 40m (prior year: EUR 80m); the loan was not utilized as of 30 April 2010

As of 30 April 2010, the Group had unutilized loan facilities totaling EUR 45m (prior year: EUR 45m), for which the conditions of use had been met in full.

The EURIBOR serves as a base rate for the bank loans. As of 30 April 2010, 50% (prior year: 60%) of the loan volume for the A, B and C and second lien facilities was hedged by means of interest rate swaps for the purpose of hedging interest rate risk. Furthermore, 22% (prior year: 0%) of the loan volume was hedged by means of interest rate options using interest rate caps.

The following assets belonging to the significant entities serve as collateral over 90% for the loans to the financing banks:

- Bank balances
- Receivables
- Inventories
- Other current assets
- Property, plant and equipment
- Intangible assets
- Equity interests

The loan agreement means the Takko Group is subject to maintaining certain covenants and KPIs. The financial covenants principally include the following core indicators as defined in Senior Facility Agreement:

- Fixed charge cover

  Here, the consolidated EBITDA plus rent minus investments to net debt servicing less rent.

- Debt cover

  Here, total net debt to the consolidated EBITDA. The credit margin is dependent on this covenant.

- Capital expenditure covenant

  In this covenant, annual investments are limited to a certain amount.

The financial covenants are tested on a quarterly basis. The tests in fiscal years 2008/09 and 2009/10 evidenced that all covenants were met. In addition to the bank loans, the shareholder Advent Vision S.à r.l. granted a loan of EUR 165.1m to Takko Fashion G Zwei GmbH. As of the balance sheet date of 30 April 2010, the shareholder loan plus capitalized and accrued interest is disclosed at a value of EUR 193.2m (prior year: EUR 182.3m).

6.10 Finance leases

The Group has finance leases for various properties and for furniture, fixtures and office equipment. These leases have terms of renewal but no purchase options and escalation clauses. The present value of the future minimum lease payments from finance leases is presented below:

in EUR k	*30 Apr 2009*	
	Minimum lease payments	*Present value of minimum lease payments*
Up to 1 year	16,042	15,757
1 to 2 years	14,232	12,951
2 to 5 years	27,918	22,326
More than 5 years	18,204	9,563
Total	**76,396**	**60,597**
Less interest portion	(15,799)	
Present value of minimum lease payments	**60,597**	

in EUR k	30 Apr 2010	
	Minimum lease payments	Present value of minimum lease payments
Up to 1 year	14,080	13,838
1 to 2 years	12,245	11,162
2 to 5 years	19,578	15,848
More than 5 years	14,247	7,384
Total	**60,150**	**48,232**
Less interest portion	(11,918)	
Present value of minimum lease payments	**48,232**	

6.11 Derivative financial instruments

in EUR k	30 Apr 2009	
	Assets	Liabilities
Interest rate swap contracts	0	15,747
Forward exchange contracts	3,639	0
	3,639	15,747

in EUR k	30 Apr 2010	
	Assets	Liabilities
Interest rate swap contracts	0	11,996
Interest rate options (caps)	320	0
Forward exchange contracts	14,344	0
	14,664	11,996

Dated 8 October 2007, an interest swap portfolio with an original nominal volume of EUR 368m and a term until March 2012 was concluded to hedge interest rate risk. As of 30 April 2010, the nominal volume amounted to EUR 226m (prior year: EUR 274m) with a market value of EUR -11,956k (prior year: EUR -15,518k).

For the purpose of hedging interest rate risk in the medium term, an interest rate cap agreement was concluded on 8 December 2009 with a nominal volume of EUR 100m and a term from 31 March 2010 to 28 September 2012 at a purchase price of EUR 998k. The interest rate caps had a market value of EUR 320k as of 30 April 2010.

Furthermore, a short-term interest rate swap with a nominal volume of EUR 226m is outstanding. The swap was concluded on 25 March 2010 and runs from 31 March 2010 to 30 September 2010. As of 30 April 2010, the market value was EUR -40k. A similar short-term interest rate swap with a nominal volume of EUR 274m was concluded in the prior year and had a market value of EUR -229k as of 30 April 2009.

The Takko Group also continuously enters into forward exchange contracts to hedge goods purchases from Asia, which are primarily settled in US dollars. The nominal volume of open currency positions amounted to USD 247m (prior year: USD 179m) (EUR 171m; prior year: EUR 131m) as of 30 April 2010. The forward exchange transactions had a positive market value of EUR 14,344k (prior year: EUR 3,639k) as of 30 April 2010.

6.12 Provisions for pensions and similar obligations

The Group has a defined benefit plan that it closed to new participants. Pension provisions are mainly recognized for employees from the former A&P Group that were initially transferred to Takko ModeMarkt GmbH & Co. KG as part of the spin-off of operations of Takko ModeMarkt GmbH and later to Takko Holding GmbH following the merger of Takko ModeMarkt GmbH & Co. KG. Existing pension obligations are recognized in accordance with the provisions of IAS 19. Valuation is based on the actuarial report of Mercer Human Resource Consulting using the following parameters:

30 April 2009:

Interest rate	= 6.20%
Turnover rate	= none
Future pension increases	=1.75%
Future salary increases	= 2.50% (incl. career trend)

30 April 2010:

Interest rate	=4.90%
Turnover rate	= none
Future pension increases	=1.75%
Future salary increases	= 2.00% (incl. career trend)

The biometric calculation parameters were used in accordance with the 2005 G mortality tables published by Dr. Klaus Heubeck.

The obligation is recognized at the amount of the present value of the defined benefit obligation (DBO).

The table below shows the reconciliation of the DBO in the fiscal year:

in EUR k	*30 Apr 2010*	*30 Apr 2009*
Obligation as of 1 May 2009	1,978	1,973
Actuarial gains and losses	233	50
Interest expense	100	117
Annuity payments	(177)	(162)
Obligation as of 30 April 2010	**2,134**	**1,978**

6.13 Other provisions

The development and breakdown of other provisions in the prior year is presented in the following table:

in EUR k	*Litigation*	*Restoration measures*	*Rent for vacancy space*	*Severance payments*	*Provision for potential store losses*	*Total*
As of 1 May 2008	600	445	0	1,168	0	2,213
Allocation	0	80	607	869	1,485	3,041
Reversal	0	0	0	(183)	0	(183)
Utilization	(600)	0	0	(241)	0	(841)
As of 30 April 2009	**0**	**525**	**607**	**1,613**	**1,485**	**4,230**
thereof: current	0	0	607	1,613	392	2,612
thereof: non-current	0	525	0	0	1,093	1,618
Total	**0**	**525**	**607**	**1,613**	**1,485**	**4,230**

The development and breakdown of other provisions in the fiscal year is presented in the following table:

in EUR k	*Restoration measures*	*Rent for vacancy space*	*Severance payments*	*Provision for potential store losses*	*Total*
As of 1 May 2009	525	607	1,613	1,485	4,230
Allocation	645	75	167	1,673	2,560
Reversal	0	(5)	(82)	(402)	(489)
Utilization	0	(527)	(1,293)	(406)	(2,226)
As of 30 April 2010	**1,170**	**150**	**405**	**2,350**	**4,075**
thereof: current	224	150	405	659	1,438
thereof: non-current	946	0	0	1,691	2,637
Total	**1,170**	**150**	**405**	**2,350**	**4,075**

Provisions for restoration measures relate to the store leases and reflect the estimated costs of possible restoration measures for future store closures. The provision for potential store losses contains estimated costs in connection with streamlining the store portfolio.

6.14 Trade payables and other liabilities

Trade payables amounted to EUR 95,250k (prior year: EUR 87,501k). All trade payables are due in up to one year and non-interest bearing.

Other liabilities break down as follows:

in EUR k	*30 Apr 2010*	*30 Apr 2009*
Other liabilities		
Liabilities to the tax authorities	7,648	10,341
Liabilities for social security	718	685
Liabilities from wages and salaries	2,097	1,890
Liabilities from bonus and management bonus agreements and other personnel-related costs	10,680	7,365
Liabilities from vacation provisions	3,810	3,451
Miscellaneous	1,456	1,372
Financial liabilities		
Rent liabilities	3,635	3,443
Other financial liabilities	1,209	1,853
	31,253	30,400

Liabilities to the tax authorities chiefly comprise VAT liabilities as well as wage and church tax. Liabilities from bonus and management bonus agreements relate, among others, to management bonuses as these are not settled until after the close of the fiscal year and are dependent on performance. Rent liabilities mainly relate to lease payments, costs for services and brokerage commission.

7. Contingent liabilities and other financial obligations

in EUR k	*As of 30 Apr 2009*				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Obligations from operating leases	87,556	80,760	176,158	94,285	438,759
Purchase commitments	148,861	0	0	0	148,861
Total	***236,417***	***80,760***	***176,158***	***94,285***	***587,620***

in EUR k	*As of 30 Apr 2010*				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Obligations from operating leases	97,837	89,926	188,504	99,325	475,592
Purchase commitments	203,374	0	0	0	203,374
Total	***301,211***	***89,926***	***188,504***	***99,325***	***678,966***

Obligations from operating leases

The Group has concluded lease agreements for warehouses and stores as well as for furniture, fixtures and office equipment such as photocopiers. The lease agreements have a remaining term of between 1 and 10 years. Most of the leases do not contain any renewal options. The lease agreements did not impose any restrictions on the Group.

The present value of obligations from operating leases is as follows:

	As of 30 Apr 2009				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Present value of obligations from operating leases	84,572	72,267	137,012	56,242	350,093

	As of 30 Apr 2010				
	Up to 1 year	*1 to 2 years*	*2 to 5 years*	*More than 5 years*	*Total*
Present value of obligations from operating leases	94,497	80,473	146,704	59,571	381,245

Purchase commitments

The Group's obligations from goods purchases amounted to EUR 203,374k (prior year: EUR 148,861k). These obligations are short term and due in up to one year.

8. Related party disclosures

Transactions with related parties in fiscal year 2009/2010 are based on the following:

a) Advent Vision S.à r.l. granted a loan of EUR 165.1m to Takko Fashion G Zwei GmbH. This loan bears interest at 6.0% p.a. Interest is not paid but capitalized instead. Loan plus capitalized and accrued interest amounted to EUR 193.2m as of 30 April 2010.

b) Takko Holding GmbH granted a loan of EUR 4m to Advent Vision S.à r.l. This loan bears interest at 6.0% p.a. Interest is not paid but capitalized instead. The loan was originally contracted until 29 April 2010 and later prolongated until 30 April 2015. Loan plus capitalized and accrued interest amounted to EUR 4.5m as of 30 April 2010.

c) A service agreement, dated 20 January 2009/16 February 2009 was signed between Advent Vision S.à r.l. and 18 Takko Group companies. Content of this agreement is providing consulting services for strategic and operative management decisions regarding Takko Group by Advent Vision Sà.r.l. In the fiscal year 2009/2010 there was charged an amount of EUR 256.5k (prior year EUR 157.5k) for delivered consulting services.

d) Furthermore, a service agreement dated 28 April 2008 between Takko Holding GmbH as service provider and Advent Vision S.à r.l., Takko Fashion G Eins GmbH, Takko Fashion G Zwei GmbH as well as Takko Fashion G Drei GmbH as service addressees was signed. Content of this agreement is the takeover by Takko Holding of operative activities in the fields of accounting and controlling for the other contract parties. In this context, Advent Vision S.à r.l. was charged with an amount of EUR 7.2k (prior year EUR 6.5k) in the fiscal year 2009/2008.

e) The following related party relationships exist with business partners and employees through indirect shareholder Arnold Mattschull (member of the advisory board) and Alexander Mattschull (general manager):

- A consulting agreement has been in place with Ms. Birgit Mattschull since 1 May 2007 for supporting the business activities of Takko Holding GmbH. Ms. Birthe Mattschull and Ms. Irene Mattschull work in purchasing at Takko Holding GmbH. In total, the abovementioned persons receive annual salaries or consulting remuneration of EUR 608,5k (prior year: EUR 434k).

- On 6 October 2009, Birgit Mattschull Unternehmensberatung (BMU"), a proprietorship, represented by Birgit Mattschull, Arnold Mattschull's wife, entered into a service agreement with Takko Holding GmbH. Pursuant to this service agreement, BMU was obligated to request that Arnold Mattschull provides advisory services to Takko Holding GmbH in relation to various aspects of strategic planning and business development, that he attends meetings of the advisory

board at least four times a year and that he is available to serve also on other advisory boards of the Group, including the sole shareholder Advent Vision S.à r.l. In addition to an one-off payment in the amount of EUR 150.0k for the consultancy and assistance during the restructuring process of the Company, BMU was entitled to an annual remuneration in the amount of EUR 50.0k plus reimbursement for reasonable expenses. BMU received a total amount of EUR 61.3k in the fiscal year 2009/2010 as remuneration.

- Under an agreement entered into on 26 February 2007, Takko Holding GmbH leased a premises in Friedrichsdorf, Germany, comprising office space, storage space and parking lots from the Eigentümergemeinschaft Mattschull GbR ("Eigentümergemeinschaft"), a partnership formed by Birgit and Alexander Mattschull and represented by Birgit Mattschull. The lease commenced on 1 May 2007 with a fixed term of ten years. The monthly rent under the agreement is set at EUR 14.8k plus VAT (at the applicable rate as amended from time to time on the due date).

f) Karl-Joseph Kraus is chairman of Takko Holding GmbH advisory board (Beirat) since 12 June 2006. Takko Holding GmbH and KJK Management und Beteiligungen GmbH ("KJK") were under a service agreement since 27 August 2007. Karl-Joseph Kraus is the sole shareholder and managing director of KJK. Pursuant to this service agreement, KJK was obligated to request that Karl-Joseph Kraus provides advisory services to Takko Holding GmbH in relation to various aspects of strategic planning and business development, that he attends meetings of the advisory board at least four times a year and that he is available to serve also on other advisory boards of the Group, including the sole shareholder Advent Vision S.à r.l. The annual remuneration was set at an amount of EUR 100.0k plus reimbursement for reasonable expenses. KJK had received a total amount of EUR 96.9k in the fiscal year 2009/2010 (prior fiscal year EUR 128.3k).

g) The senior term loans (tranche A, B and C) are secured with the investments held in Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. by Advent Vision S.à r.l.

Terms and conditions of related party transactions

The sales to and purchases from related parties as well as loans from or to shareholders are made at arm's length. Outstanding balances from sales and / or purchases at year-end are not secured. No guarantees have been provided or received for any related party receivables or payables.

Granting equity instruments to the Takko Group's key management personnel

Since August 2007, the private equity shareholder has sold shares in Advent Vision S.à r.l., the sole shareholder of Takko Fashion G Eins GmbH, to the management of the Takko Group. Management pooled its shares via Takko Beteiligungs GmbH & Co. KG, which has actual a 23% interest in Advent Vision S.à r.l.

Preferred equity certificates—loan securities bearing interest of between 5.8% and 6.8% on average payable upon maturity—in Advent Vision S.à r.l. were also issued and principally subscribed by private equity shareholders and, to a limited extent, by management.

IFRS 2 stipulates how to account for share-based payment transactions. IFRS 2 places particular emphasis on the issue of share options or similar instruments to key management personnel. The existing equity instruments are not risk-free option models for motivating management but instruments that are subject to risk and will only generate a positive return in the event of an exit of the private equity shareholders and certain situations in which employment is terminated. Equity instruments acquired in fiscal years 2007/2008 and 2008/2009 were not done so at preferential conditions but at the same conditions that applied to all private equity shareholders in the transaction conducted in August 2007. Management may not freely sell the shares and bears the full risk.

In June 2009, the IASB issued amendments to IFRS 2 to clarify how IFRS 2 applies to group cash-settled share-based payment transactions and how they are accounted for. This mainly applies to programs when the entity or subgroup receiving the services has no obligation to settle the transaction with the managers. The amendments become effective for periods beginning on or after 1 January 2010 and have to be applied retrospectively.

Due to the above mentioned amendments, the above mentioned equity investment program will fall within the scope of IFRS 2 and will be classified as an equity-settled share-based payment transaction at both the level

of Advent Vision S.à r.l. and Takko Fashion G Eins GmbH, with a shareholder contribution offsetting any personnel expenses. This is irrespective of how the transaction is classified at the level of the private equity shareholders. However, as the difference between the share prices in Advent Vision S.à r.l. paid by the management of the Takko Group and the respective fair value of these shares ("equity instruments granted") was not significant at the respective dates on which they were granted to and acquired by the management, the amendments will not have significant effects on the balance sheet or income statement.

Remuneration of the Group's management

The following persons were members of the management board:

Takko Fashion G Eins GmbH:

- Alexander Mattschull, since 6 December 2007
- Stephan Swinka, since 15 October 2008
- Erika Tertilt, since 21 December 2010
- Andreas Kromer, since 21 December 2010

Takko Fashion AT Holding GmbH:

- Ulrich Eickmann, since 19 December 2007
- Jürgen Reisinger, since 19 December 2007
- Stephan Swinka, since 11 November 2008

Takko Fashion NL B.V.:

- Andreas Silbernagel, since 25 April 2008
- Paul Thieme, since 25 April 2008
- Stephan Swinka, since 5 December 2008

Aside from wages and salaries, the general managers of Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. did not receive any remuneration for their work as a member of the management board in fiscal year 2009/2010.

The Group's operational management activities are currently performed by the general managers of Takko Holding GmbH. The management of Takko Holding GmbH comprised the following persons during the reporting period and after the balance sheet date:

- Alexander Mattschull, product management/purchasing/logistics, since 10 May 2007
- Stephan Swinka, CEO, since 1 October 2008
- Erika Tertilt, CFO, since 1 March 2008
- Andreas Kromer, sales/expansion, since 5 June 2009

Remuneration of the management of Takko Holding GmbH in the reporting period breaks down as follows:

in EUR k	*1 May 2009 to 30 Apr 2010*	*1 May 2008 to 30 Apr 2009*
Salaries	3,325	2,208
Termination benefits	0	1,132
Other services	98	605
Total remuneration paid to key management personnel	3,423	3,945

9. Financial risk management objectives and policies

The main financial liabilities used by the Takko Group, other than derivative financial instruments are bank loans, obligations from finance leases, trade payables and a shareholder loan. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as receivables, cash and short-term deposits that arise directly from its operations.

The Group also has derivative financial instruments, which as of the balance sheet date only included interest rate swaps and interest rate caps to hedge interest rate risk and forward exchange contracts to hedge currency risk. All bank loans are currently floating rate. Interest rate risk arises from fluctuations in the floating rates of the bank loans. The aim of the Group is to use interest rate swaps as a way of turning this risk into foreseeable and secure cash flows as well as setting the limit of cash flows arising from interest payments for the hedged volume. The purpose of the forward exchange contracts is to hedge currency risks arising from USD goods purchases in Asia. The aim of the Group is to turn financial risks arising from fluctuations in the US dollar rate into foreseeable and secure cash flows.

Derivative financial instruments are not planned to be used for any other purposes at present.

The main risks arising from the Group's financial instruments are cash flow interest rate risks, liquidity risks, currency risks and credit risks. The Group's management decides on strategies and processes for managing specific risk types. These are presented below.

Interest rate risk

The risk from changes in market interest rates results mainly from non-current financial floating-rate bank liabilities.

The Group's policy is to manage its interest expense using a mix of fixed and floating rate borrowings. The terms of the bank agreement state that at least 50% of its borrowings from the A, B, C and second lien facilities is subject to fixed rates of interest for a period of at least three years. The Group entered into interest rate swaps to achieve this. From 1 May 2009 to 31 March 2010, 60% of the A, B, C and second lien facilities bore semi-fixed interest, this fell to 50% for the period from 1 April 2010 to 30 April 2010 (in the prior year, from 1 May 2008 to 31 March 2009, 70% of the A, B, C and second lien facilities bore fixed interest and 60% from 1 April 2009 to 30 April 2009). Furthermore, 22% (prior year: 0%) of the loan volume was hedged by means of interest rate options using interest rate caps.

The following table shows the sensitivity of the Groups equity (before deferred tax assets) to a reasonably possible change in interest rates (based on the effect on payer swaps, which are designated as effective hedging instruments in a cash flow hedge). All other factors remain unchanged. The effect on combined profit or loss before taxes is not significant.

FY 2008/2009	*Scenario A Parallel shift in the yield curve by 0.5%*	*Scenario B Parallel shift in the yield curve by—0.5%*
Effect on combined equity before taxes in EUR k	2,654	(2,708)

FY 2009/2010	*Scenario A Parallel shift in the yield curve by 0.5%*	*Scenario B Parallel shift in the yield curve by—0.5%*
Effect on combined equity before taxes in EUR k	1,458	(1,482)

Foreign currency risk

Foreign currency risks for the Group relate almost exclusively to the purchase of goods. Forwards transactions are conducted in US dollars on the basis of purchase commitments. Furthermore, anticipatory currency hedges are concluded for planning uncertainties for the next 12 months based on planned goods purchases less a sufficient discount.

The following table shows the sensitivity of the Group's equity (before deferred taxes) due to changes in the fair values of forward exchange contracts compared with a reasonably possible change in the US dollar exchange rate. All other factors remain unchanged.

FY 2008/2009	*Scenario A USD/EUR = 1.4603*	*Scenario B USD/EUR = 1.1948*
Effect on combined equity before taxes in EUR k	(7,951)	9,701

FY 2009/2010	*Scenario A USD/EUR = 1.4647*	*Scenario B USD/EUR = 1.1984*
Effect on combined equity before taxes in EUR k	(12,894)	15,748

Credit risk

The Group is not subject to significant credit risks from customers as goods are paid for upon handover, with the exception of franchise transactions.

With regard to the other financial assets of the Group, the maximum credit risk in the event of default by a counterparty is the carrying amount of these instruments.

Liquidity risk

The Group continually monitors the risk of potential liquidity shortfalls using a liquidity planning tool. This tool takes into account monthly debits from bank loans as well as expected cash flows from operating activities. The outlook period in each case is the current fiscal year. A short-term statement is also prepared every week one week in advance.

The table below summarizes the maturities of the Group's financial liabilities as of the balance sheet date. The disclosures are made on the basis of the contractual, non-discounted payments.

30 April 2009:

in EUR k	*Total*	*Up to 1 year*	*1 to 2 years*	*2 to 5 years*	*More than 5 years*
Cash flows from bank loans	599,186	24,675	26,518	88,099	459,894
thereof interest	*144,186*	*20,675*	*20,518*	*60,099*	*42,894*
thereof repaid	*455,000*	*4,000*	*6,000*	*28,000*	*417,000*
Finance leases	76,396	16,042	14,232	27,918	18,204
Derivative financial instruments	12,108	3,744	5,274	3,090	0
Trade payables	87,501	87,501	0	0	0
Other financial liabilities	5,296	5,296	0	0	0
Total	**780,487**	**137,258**	**46,024**	**119,107**	**478,098**

30 April 2010:

in EUR k	*Total*	*Up to 1 year*	*1 to 2 years*	*2 to 5 years*	*More than 5 years*
Cash flows from bank loans	548,371	21,447	24,356	74,697	427,871
thereof interest	*100,441*	*16,447*	*16,356*	*47,697*	*19,941*
thereof repaid	*447,930*	*5,000*	*8,000*	*27,000*	*407,930*
Finance leases	60,150	14,080	12,245	19,578	14,247
Derivative financial instruments	(2,668)	(7,323)	4,655	0	0
Trade payables	95,250	95,250	0	0	0
Other financial liabilities	4,844	4,844	0	0	0
Total	**705,947**	**128,298**	**41,256**	**94,275**	**442,118**

The significant difference in the interest portion in the cash flows from bank loans in comparison to the prior year is attributable to the current development of the EURIBOR®. The underlying margins of the bank loans were also reduced in comparison for the prior-year period as the debt cover ratio improved.

Derivative financial instruments with both negative and positive fair values are included in the liquidity analysis. For interest rate swaps with a negative fair value, the net amounts for interest payable and receivable is disclosed in each maturity band. Currency hedges with a positive fair value are stated as current hedges with a term of up to one year, as hedges generally have a term of between 1 and a maximum of 12 months.

In addition to the financial liabilities presented in the table, a shareholder loan from Advent Vision S.à r.l was granted to Takko Fashion G Zwei GmbH. As of the balance sheet date, this loan plus capitalized and accrued interest amounted to EUR 193.2m (prior year: EUR 182.3m). The loan has a duration until 31 July 2017, whereby an early repayment is possible by the lender as well as by the borrower.

As of the balance sheet date, the Group had unutilized loan facilities of EUR 45m (prior year: EUR 45m) for cash and cash equivalents, EUR 40m (prior year: EUR 80m) for acquisitions and EUR 22.8m (prior year: EUR 2m) for letters of credit. The facility available for rent guarantees is EUR 0m.

Capital management

The bank financing agreement lays out the significant criteria for capital management. Dividend distributions are not possible without the approval of the banks and are also not expected by the shareholders as excess liquidity must be allocated for loan repayments.

Additional disclosures on financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Group classifies interest rate caps and swaps and forwards exchange contracts exclusively as financial instruments measured at fair value and belonging to Level 2.

The following tables show which financial instruments belong to which class as well as the categories pursuant to IAS 39. The fair value of each financial instrument on the different balance sheet dates is also disclosed.

As of 30 Apr 2009

		Carrying amount in accordance with IAS 39					
in EUR k	*Category*	*Carrying amount*	*Fair value recognized directly in equity*	*Fair value recognized in profit and loss*	*Amortized cost*	*Value pursuant to IAS 17*	*FAIR VALUE*
Cash and cash equivalents	L&R	47,698	0	0	47,698	0	47,698
Trade receivables	L&R	847	0	0	847	0	847
Other current assets	L&R	3,548	0	0	3,548	0	3,548
Other non-current assets	L&R	4,355	0	0	4,355	0	4,355
Derivatives							
—Derivatives not in a hedging relationship	FAHfT	3,149	0	3,149	0	0	3,149
—Derivatives in a hedging relationship	n/a	490	490	0	0	0	490
Trade payables	O/l	87,501	0	0	87,501	0	87,501
Current interest-bearing loans	O/l	4,624	0	0	4,624	0	4,624
Non-current interest-bearing loans	O/l	623,843	0	0	623,843	0	623,843
Finance leases—current	O/l	15,757	0	0	0	15,757	15,757
Finance leases—non-current	O/l	44,840	0	0	0	44,840	44,840
Other financial liabilities	O/l	5,296	0	0	5,296	0	5,296
Derivatives							
—Derivatives not in a hedging relationship	FLHfT	229	0	229	0	0	229
—Derivatives in a hedging relationship	n/a	15,518	15,518	0	0	0	15,518
Value per category							
	FAHfT	**3,149**	**0**	**3,149**	**0**	**0**	**3,149**
	FLHfT	**229**	**0**	**229**	**0**	**0**	**229**
	L & R	**56,448**	**0**	**0**	**56,448**	**0**	**56,448**
	O/l	**781,861**	**0**	**0**	**721,264**	**60,597**	**781,861**

As of 30 Apr 2010

in EUR k	Category	Carrying amount in accordance with IAS 39 Carrying amount	Fair value recognized directly in equity	Fair value recognized in profit and loss	Amortized cost	Value pursuant to IAS 17	FAIR VALUE
Cash and cash equivalents	L&R	69,292	0	0	69,292	0	69,292
Trade receivables	L&R	955	0	0	955	0	955
Other current assets	L&R	5,045	0	0	5,045	0	5,045
Other non-current assets	L&R	4,613	0	0	4,613	0	4,613
Derivatives							
—Derivatives not in a hedging relationship	FAHfT	3,919	0	3,919	0	0	3,919
—Derivatives in a hedging relationship	n/a	10,745	10,745	0	0	0	10,745
Trade payables	O/l	95,250	0	0	95,250	0	95,250
Current interest-bearing loans	O/l	5,410	0	0	5,410	0	5,410
Non-current interest-bearing loans	O/l	629,071	0	0	629,071	0	629,071
Finance leases—current	O/l	13,838	0	0	0	13,838	13,838
Finance leases—non-current	O/l	34,394	0	0	0	34,394	34,394
Other financial liabilities	O/l	4,844	0	0	4,844	0	4,844
Derivatives							
—Derivatives not in a hedging relationship	FLHfT	41	0	41	0	0	41
—Derivatives in a hedging relationship	n/a	11,956	11,956	0	0	0	11,956
Value per category							
	FAHfT	**3,919**	**0**	**3,919**	**0**	**0**	**3,919**
	FLHfT	**41**	**0**	**41**	**0**	**0**	**41**
	L&R	**79,905**	**0**	**0**	**79,905**	**0**	**79,905**
	O/l	**782,807**	**0**	**0**	**734,575**	**48,232**	**782,807**

Abbreviations:

FLHfT	Financial liability held for trading
FAHfT	Financial asset held for trading
L&R	Loans and receivables
O/l	Other liabilities
n/a	Not applicable

Gains of EUR 9,687k (prior year: losses of EUR -5,489k) were incurred from the measurement of derivative financial instruments at their fair value; however, these gains were recognized directly in equity due to their accounting treatment as a cash flow hedge.

As of 30 April 2010 the fair value of the interest bearing loan from the shareholder Advent Vision S.à r.l., essentially corresponds to the carrying amount.

For interest-bearing loans from the refinancing banks the fair value was brought in line with the carrying amount as of 30 April 2010. This approach gives reason for uncertainty due to the following:

The loans are all floating rate and therefore in line with the market in terms of basic interest. In this regard, recognizing the fair value at the carrying amount is justified. The margin agreed for each loan is subject to changes in the fair value. This has most likely changed in light of the financial market crisis, as the risk premium on the market has experienced a general increase in comparison to when the loans were concluded, meaning that the Takko Group would have seen an increase despite assuming a stabile rating. However, this effect cannot be quantified, meaning that the carrying amount gives the best basis for estimating the fair value.

The following table shows the net results for each category:

Net gains and losses as of 30 April 2009

	From subsequent measurement			
	From interest	*Foreign currency translation*	*Impairment*	*Net result*
L&R	1.244	0	(652)	592
O/l	(51,403)	(2,843)	0	(54,246)
Total	**(50,159)**	**(2,843)**	**(652)**	**(53,654)**

Net gains and losses as of 30 April 2010

	From subsequent measurement			
	From interest	*Foreign currency translation*	*Impairment*	*Net result*
L&R	477	0	76	553
O/l	(44,864)	1,055	0	(43,809)
Total	**(44,387)**	**1,055**	**76**	**(43,256)**

Interest from financial instruments is recognized in the financial result. Interest from other liabilities contains interest expenses from finance leases of EUR 3,871k (prior year: EUR 4,742k).

The result from interest rate hedges and forward exchange contracts before deferred taxes, which are not in a hedging relationship, was insignificant in the reporting year. The result from interest rate hedges in hedging relationships recognized directly in equity (before deferred taxes) amounted to EUR 3.6m (prior year: EUR -14.5m).

The following table shows the change in OCI from derivative financial instruments:

Forward exchange contracts	*FY 2009/2010*	*FY 2008/2009*
Opening balance (fair value)	490	(6,262)
Reclassification to inventories	(490)	6,262
Additions to OCI	10,745	490
Closing balance (fair value)	10,745	490
Interest rate hedges		
Opening balance (fair value)	(15,502)	(1,038)
Changes to the opening balance	3,547	(14,464)
Closing balance (fair value)	(11,955)	(15,502)

10. Segment reporting

For management purposes, the Takko Group is divided in geographical operating segments. Management manages the business at country level. For segment reporting purposes, the countries were split into three regions: Germany, western and central Europe (the Benelux countries, Austria and Switzerland) and Eastern Europe (Hungary, Romania, Poland, Slovenia, Croatia, Estonia, Lithuania, the Czech Republic and Slovakia). Furthermore, the non-operating entities and the consolidations that are set to be performed at group level are also shown in a reconciliation. Intersegment sales are made at arm's length.

Takko's adjusted EBITDA is of particular use for internal management and for serving as an indicator of the sustainable profitability of its operating segments. Adjusted EBITDA is the result before interest, taxes, depreciation and amortization adjusted for extraordinary effects and reclassifications. Extraordinary effects relate to non-recurring income and expenses; in fiscal years 2008/2009 and 2009/2010, they mainly included allocations to and the use and reversal of provisions for potential store losses, expenses in connection with the store renovation project (normalized expenses for store renovation) and extraordinary allocations to and reversals of impairment losses on inventories. Other non-operating profit or loss mainly relates to unrealized exchange gains and losses as well as transaction costs. The adjustment to the financial result is principally attributable to letter of credit fees. Organizational restructuring mainly contains expenses for severance payments and consulting.

Operating segments by region (2009/2010)

in EUR k	*Germany*	*Western and central Europe*	*Eastern Europe*	*Recon-ciliation*	*Total*
External revenue (gross)	**652,921**	**122,529**	**162,865**	**0**	**938,315**
External net revenue	549,994	103,336	136,566	0	789,896
Internal net revenue	98,547	0	0	(98,547)	0
Total net revenue	**648,541**	**103,336**	**136,566**	**(98,547)**	**789,896**
Adj. EBITDA	**84,482**	**16,644**	**18,706**	**(4,449)**	**115,383**
Investments	**22,694**	**2,285**	**8,292**	**0**	**33,271**
Inventories	**62,619**	**8,692**	**14,050**	**0**	**85,361**
Non-current assets	**680,261**	**42,597**	**48,197**	**101**	**771,156**

Reconciliation to the operating result for FY 2009/2010
in EUR k

Adj. EBITDA	*115,383*
Extraordinary store expenses	(13,493)
Reversal of inventory provisions	1,241
Other non-operating profit or loss	2,001
Amortization and depreciation	(34,686)
Adjustments relating to financial result	(2,732)
Financial result	(44,386)
EBT	**23,328**

Operating segments by region (2008/2009)

in EUR k	*Germany*	*Western and central Europe*	*Eastern Europe*	*Recon-ciliation*	*Total*
External revenue (gross)	**593,785**	**102,884**	**111,623**	**0**	**808,292**
External net revenue	**499,270**	**86,705**	**94,324**	**0**	**680,299**
Internal net revenue	79,208	0	0	(79,208)	0
Total net revenue	**578,478**	**86,705**	**94,324**	**(79,208)**	**680,299**
Adj. EBITDA	**78,692**	**7,513**	**10,329**	**1,250**	**97,784**
Investments	**18,252**	**2,720**	**15,059**	**166**	**36,197**
Inventories	**66,637**	**9,163**	**12,393**	**0**	**88,193**
Non-current assets	**683,057**	**43,730**	**46,192**	**133**	**773,112**

Reconciliation to the operating result for FY 2008/2009
in EUR k

Adj. EBITDA	*97,784*
Extraordinary store expenses	(3,263)
Inventory effects from PPA	(6,000)
Organizational restructuring	(4,790)
Other non-operating profit or loss	(3,567)
Amortization and depreciation	(30,783)
Adjustments relating to financial result	(2,729)
Financial result	(50,159)
EBT	**(3,507)**

Non-current assets by region comprise intangible assets and property, plant and equipment. Non-current assets and inventories are presented on a consolidated basis.

As Takko only operates in one area, the clothing industry, net revenue by product falls into the product segments “Clothing” and “Other.” The segment “Other” chiefly comprises accessories and concession goods.

External net revenue by product breaks down as follows:

2009/2010 *in EUR k*	*Clothing*	*Other*	*Group*
External net revenue	744,910	44,986	789,896

2008/2009 *in EUR k*	*Clothing*	*Other*	*Group*
External net revenue	638,920	41,379	680,299

11. Events after the balance sheet date

The following events took place after the balance sheet date:

- Over the period from 1 May 2010 up to now a total of 197 new Takko stores were opened across Europe.
- Effective 8 June 2010, Takko Fashion Italia S.r.l., Italy, was established.
- In October 2010 Takko Holding GmbH, Telgte, has signed a lease agreement regarding a logistics center in Winsen / Luhe. This rental agreement has a fixed rental period of 10 years starting June 2011 and dual options to extend the lease for further 5 years. The monthly leasing rates amount to EUR 113k.
- With closing 8 February 2011 Salsa Retail Debtco 1 S.à r.l., Luxembourg, acquired the Takko business from Advent Vision S.à r.l., Luxembourg. Specifically, this business combination included the acquisition of all of the shares in the following entities:

  a) Takko Fashion G Eins GmbH via purchase vehicle Takko Fashion GmbH, Germany;

  b) Takko Fashion AT Holding GmbH via purchase vehicle Takko Fashion Austria GmbH, Austria; and

  c) Takko Fashion NL B.V. via purchase vehicle Takko Holding Netherlands B.V., Netherlands.

  In a legal reorganization direct after this acquisition the shares of Takko Fashion Austria GmbH and Takko Holding Netherlands B.V. were contributed by a common control transaction to Takko Fashion GmbH. Since this reorganization Salsa Retail DebtCo 1 S.à r.l. is indirectly the sole shareholder of Takko Fashion GmbH which holds as a legal parent all German and foreign entities of the Takko Group.

  Ultimate Parent of Salsa Retail Debtco 1 S.à r.l. is Salsa Retail Holding Topco S.à r.l., a Luxembourg holding company formed by funds advised by Apax Partners.

  The acquisition took place for an enterprise value of approximately EUR 1.4 billion. Sources of financing for the acquisition comprised EUR 675 million of equity from Apax Partners, a EUR 100 million subordinated vendor loan provided by Advent Vision S.à r.l. and €600 million drawn term loans under an EUR 850 million Senior Facilities Agreement. The net consideration after refunding the former debt position to the banks amounted to EUR 962.2 million comprising EUR 759.8 million for share transfers and EUR 202.4 million for shareholder loan transfers.
- Takko Group and its ultimate shareholder were currently considering an offering of Senior Secured Notes (International Private Placement). The Notes will be issued, jointly and severally, by Salsa Retail Holding Debtco 1 S.à r.l. and Takko Holding GmbH.

Telgte, 15 July 2011

The Management

Independent auditor's report

To the Board of Managers of Takko Fashion G Eins GmbH, Telgte

We have audited the accompanying combined financial statements prepared by Takko Fashion G Eins GmbH, Telgte, which comprise the combined balance sheet as at April 30, 2010, the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity, the combined statement of cash flows for the year then ended and the notes to the combined financial statements.

Management's responsibility for the combined financial statements

The Board of Managers is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, taking into account the "basis of preparation" presented in Note 1 to the combined financial statements. In particular, the "basis of preparation" presents the basis for determining the entities to be included in the combined financial statements, namely the respective basis of consolidation for the consolidated financial statements of Takko Fashion NL B.V., Oldenzaal, the Netherlands, Takko Fashion AT Holding GmbH, Vienna, Austria, and Takko Fashion G Eins , GmbH, Telgte (the "Takko Combined Entities").

This responsibility includes: Designing, implementing and maintaining control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier." Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé," including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the component's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the component's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements as of April 30, 2010, taking into account the "basis of preparation" presented in Note 1 to the combined financial statements give a true and fair view of the financial position of the Takko Combined Entities and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The combined financial statements of Takko Fashion G Eins GmbH and our auditor's report thereon are intended for the sole purpose of the planned offering of Senior Secured Notes due 2018 and Senior Secured Floating Rate Notes due 2018 of Salsa Retail Holding DebtCo 1 S.à r.l. and Takko Holding GmbH and cannot be used in another context without our prior written consent.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Jeannot Weyer

Luxembourg, July 15th, 2011

1-3, Boulevard de la Foire
L-1528 Luxembourg
R.C.S. Luxembourg: B 175.630
Share capital: EUR 31 000

Takko Luxembourg 2 S.C.A.

Société en commandite par actions

Opening balance sheet as at February 27, 2013

Takko Luxembourg 2 S.C.A.

Balance sheet as at February 27, 2013
(expressed in EUR)

	27/02/2013 EUR
ASSETS	
Fixed assets	
Financial assets	
Shares in affiliated undertakings	-
Current assets	
Cash at bank and in hand	31 000
	31 000
LIABILITIES	
Capital and reserves	
Subscribed capital	31 000
Result for the financial period	-
	31 000
Non subordinated debts	
Tax and social security	
Tax	-
Trade creditors	
becoming due and payable after less than one year	-
	31 000

INDEX TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg
Unaudited Pro Forma Consolidated Financial Information
for the period from 1 May 2010 to 30 April 2011

Pro Forma Consolidated Income Statement P-3
Introduction P-3
Basis of preparation P-5
Notes to the Pro Forma Adjustments in the Pro Forma Consolidated Income Statement P-5
APPENDIX—Supplementary information to the Pro Forma Consolidated Income Statement P-8

Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg

UNAUDITED PRO FORMA

CONSOLIDATED FINANCIAL INFORMATION

FOR THE PERIOD FROM

1 MAY 2010 TO 30 APRIL 2011

TABLE OF CONTENTS

		Page
1.	Pro Forma Consolidated Income Statement	P-3
2.	Introduction	P-3
3.	Basis of preparation	P-5
4.	Notes to the Pro Forma Adjustments in the Pro Forma Consolidated Income Statement	P-5
APPENDIX—Supplementary Information to the Pro Forma Consolidated Income Statement		
I.	Pro Forma Consolidated Net Revenue by Region	P-8
II.	Pro Forma Consolidated Other Operating Income	P-9
III.	Pro Forma Consolidated Other Operating Expenses	P-10
IV.	Pro Forma Consolidated Personnel Expenses	P-11
V.	Pro Forma Consolidated Depreciation, Amortization and Impairment of Property, Plant and Equipment and Intangible Assets	P-12
VI.	Pro Forma Consolidated Financial Result	P-13
VII.	Pro Forma Consolidated Income Taxes	P-14

1. Salsa Retail Holding DebtCo 1 S.à r.l., Luxembourg
PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 MAY 2010 TO 30 APRIL 2011

	Historical Financial Information						
	Salsa Retail Holding DebtCo1 S.à r.l. 07.12.2010 to 30.04.2011	*Takko Combined Entities 01.05.2010 to 08.02.2011*	*Total 01.05 to 30.04*	*Pro Forma Adjustments*	*Pro Forma Note*	*Pro Forma Consolidated Income Statement of Salsa Retail Holding DebCo 1 S.à r.l.*	*Appendix*
	EUR k	*EUR k*	*EUR k*	*EUR k*		*EUR k*	
Net Revenue	**210,612**	**727,923**	**938,535**	**0**		**938,535**	(I)
Cost of materials	(167,799)	(270,351)	(438,150)	(68,961)		(507,111)	
thereof reversal of PPA inventory step-up	(82,553)	0	(82,553)	(68,961)	(1)	(151,515)	
Gross Profit	**42,813**	**457,572**	**500,385**	**(68,961)**		**431,424**	
Other operating income	4,511	12,107	16,618	0		16,618	(II)
Personnel expenses	(42,461)	(128,927)	(171,388)	0		(171,388)	(IV)
Lease payments incl. costs for services	(33,698)	(109,315)	(143,013)	0		(143,013)	
Marketing expenses	(13,427)	(44,988)	(58,415)	0		(58,415)	
Other operating expenses	(36,478)	(56,474)	(92,952)	(2,385)	(6)	(95,337)	(III)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	(9,219)	(25,645)	(34,864)	0		(34,864)	(V)
Operating result	**(87,959)**	**104,330**	**16,372**	**(71,347)**		**(54,975)**	
Finance costs	(16,948)	(43,069)	(60,018)	(9,335)	(2)(3) (4)(5)	(69,353)	
Finance income	1,473	238	1,711	0		1,711	
Financial result	**(15,476)**	**(42,832)**	**(58,307)**	**(9,335)**		**(67,643)**	(VI)
Profit or loss from ordinary operations/ Profit or loss before taxes	**(103,435)**	**61,499**	**(41,936)**	**(80,682)**		**(122,618)**	
Income taxes	20,504	(11,604)	8,900	24,859		33,759	(VII)
Profit or loss for the period	**(82,931)**	**49,895**	**(33,036)**	**(55,823)**		**(88,859)**	

2. Introduction

On 8 February 2011 Salsa Retail DebtCo 1 S.à r.l., Luxembourg (or the "Company") acquired the Takko business from Advent Vision S.à r.l., Luxembourg (the "Acquisition"). Specifically, this business combination included the acquisition of all of the shares in the following entities:

a) Takko Fashion G Eins GmbH, Germany, via purchase vehicle Takko Fashion GmbH, Germany;

b) Takko Fashion AT Holding GmbH, Austria, via purchase vehicle Takko Fashion Austria GmbH, Austria; and

c) Takko Fashion NL B.V., Netherlands, via purchase vehicle Takko Holding Netherlands B.V., Netherlands.

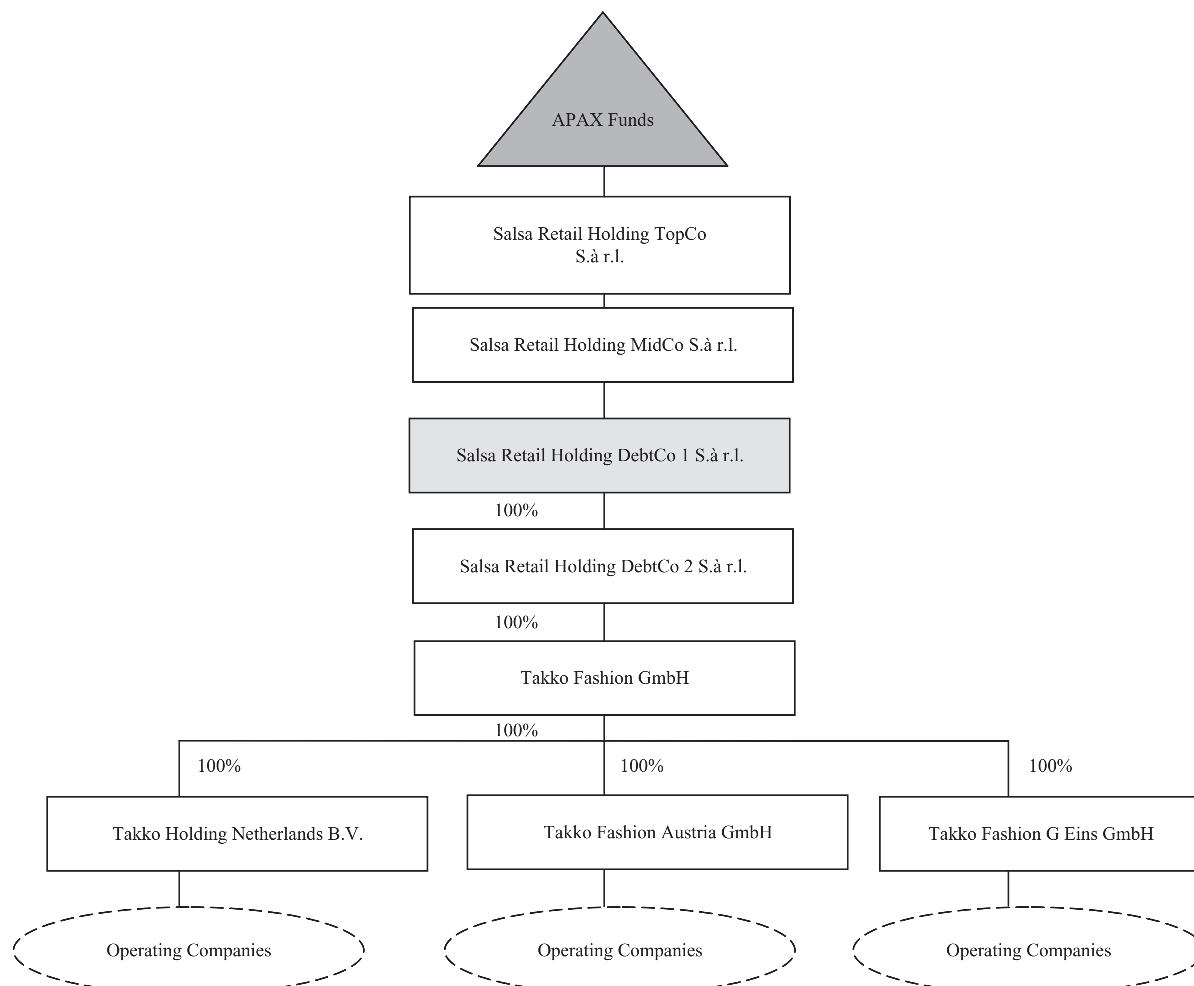
In the following Takko Fashion G Eins GmbH, Takko Fashion AT Holding GmbH and Takko Fashion NL B.V. and their respective directly or indirectly held subsidiaries are referred to as "Takko Combined Entities;"

In a legal reorganization directly after the Acquisition the shares of Takko Fashion Austria GmbH and Takko Holding Netherlands B.V. were contributed by a common control transaction to Takko Fashion GmbH. Since this reorganization Salsa Retail DebtCo 1 S.à r.l. is indirectly the sole shareholder of Takko Fashion GmbH —which holds as a legal parent all shares of the German and foreign entities of the Takko Group.

Ultimate parent of Salsa Retail DebtCo 1 S.à r.l. is Salsa Retail Holding Topco S.à r.l., a Luxembourg holding company formed by funds advised by Apax Partners ("Apax").

Salsa Retail Holding DebtCo1 S.à r.l. was incorporated as a société a responsabilité limitée on 7 December 2010 in Luxembourg. The fiscal year runs from 1 May to 30 April. The first fiscal year of Salsa Retail DebtCo 1 S.à r.l is a short fiscal year from 7 December 2010 to 30 April 2011.

The following diagram summarizes certain aspects of the corporate structure:



Due to the Acquisition Salsa Retail Holding DebtCo 1 S.à r.l. has prepared consolidated financial statements for the short fiscal year from 7 December 2010 to 30 April 2011, consisting of a consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements (the "IFRS Consolidated Financial Statements"), which the Company had prepared on the basis of International Financial Reporting Standards, as adopted by the European Union ("IFRS").

In addition, the Company has prepared a *pro forma* consolidated income statement for the period from 1 May 2010 to 30 April 2011 as well as *pro forma* notes (the "Pro Forma Consolidated Financial Information").

The purpose of this Pro Forma Consolidated Financial Information is to present the material effects that the acquisition of the Takko Combined Entities, would have had on the historical consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l., if the structure of the Takko Group had existed as created by the Acquisition and the incorporation of Salsa Retail Holding DebtCo 1 S.à r.l. and Salsa Retail Holding DebtC 2 S.à r.l. at 1 May 2010 throughout the entire reporting period from 1 May 2010 to 30 April 2011.

The Pro Forma Consolidated Financial Information has been prepared for illustrative purposes only. As such, it describes a hypothetical situation only and therefore does not represent the actual results of operations of the Takko Group. It is only meaningful in conjunction with the historical consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. for the short fiscal year from 7 December 2010 to 30 April 2011.

Historical Financial Information

The following historical financial information was taken as a basis for preparing the Pro Forma Consolidated Financial Information:

- The consolidated income statement of the audited, not yet published IFRS Consolidated Financial Statements of Salsa Retail Holding DebtCo 1 S.à r.l. for the short fiscal year from 7 December 2010 to 30 April 2011.
- The unaudited and unpublished combined income statement of the Takko Combined Entities for the period from 1 May 2010 to 8 February 2011.

The combined income statement is based on the unaudited income statements of the Takko Combined Entities period from 1 May 2010 to 8 February 2011. All consolidation procedures relating to the elimination of transactions between the Takko Combined Entities were performed.

Thus, the basic figures were prepared on the basis of IFRS. The basic figures are consistent with the uniform accounting policies of the Takko Group as described in the notes to the IFRS consolidated financial statements of Salsa Retail Holding DebtCo 1 S.à r.l. for the short fiscal year from 7 December 2010 to 30 April 2011.

3. Basis of Preparation

Acquisition of the Takko Group

Salsa Retail DebtCo 1 S.à r.l. acquired the Takko combined entities for an enterprise value of approximately €1.4 billion. Sources of financing for the Acquisition comprised EUR 675m of equity from Apax, a EUR 100m subordinated vendor loan granted by Advent Vision S.à r.l. to Salsa Retail Holding MidCo S.à r.l. and then transferred to the Company as well as and EUR 600m drawn term loans under an EUR 850m Senior Facilities Agreement. The net consideration after refunding the former debt position to the banks amounted to EUR 962.2m comprising EUR 759.8m for share transfers and EUR 202.4m for a shareholder loan transfer.

The acquisition of the Takko Combined Entities by Salsa Retail Holding DebtCo 1 S.à r.l. has been accounted for using the purchase method. In accordance with IFRS 3, the identifiable assets, liabilities and contingent liabilities acquired were measured at their fair value as of the acquisition date. The fair value of the net assets acquired comprises a step-up of the "Takko" and "1982" brands amounting to EUR 143.3m as well as a step-up of the inventories amounting to EUR 151.5m. The excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill and amounted to EUR 951.5m as of the acquisition date. This valuation exercise requires the Company to step up the value of its inventories as recorded on its balance sheet to reflect the fair value at prevailing sales prices rather than their historical cost. The step-up amount of inventories must be amortized based on the inventory turnover resulting in an increase in the cost of materials during the fiscal periods immediately following the business combination.

Pro Forma Assumptions and Preparation Principles

The *pro forma* adjustments are based on the information available, provisional estimates and certain assumptions that the Company's management considers reasonable and which are described in these *pro forma* notes to the *pro forma* consolidated income statement.

The *pro forma* consolidated financial information is based, for the purposes of the *pro forma* consolidated income statement, on the fictitious assumption that the acquisition of the Takko Combined Entities and the incorporation of Salsa Retail Holding DebtCo 1 S.à r.l. and Salsa Retail Holding DebtC 2 S.à r.l. occurred as of 1 May 2010.

The Pro Forma Consolidated Financial Information was prepared on the basis of *IDW Accounting Practice Statement 1.004: Preparation of Pro Forma Financial Information* (IDW AcPS AAB 1.004) promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V. – IDW*).

4. Notes to the Pro Forma Adjustments in the Pro Forma Consolidated Income Statement

The following *pro forma* adjustments have been performed with a one-off effect on the results of operations.

(1) PPA step-up effect on inventories:

The Acquisition has been accounted for using the purchase method. In accordance with IFRS 3, the identifiable assets, liabilities and contingent liabilities acquired were measured at their fair value as of the

acquisition date. The fair value of the net assets includes, among other things, a step-up of the inventories amounting to EUR 151.5m. The consolidated income statement of Salsa Retail Holding DebtCo 1 S.à r.l. for the short fiscal year from 7 December 2010 to 30 April 2011 reflects an amortization of this step up of inventories based on the inventory turnover in the respective period amounting to EUR 82.6m. In the *pro forma* consolidated income statement the residual amount of EUR 69.0m has also been amortized considering the annual inventory turnover of Takko. The amortization of the inventory step-up is presented in the line item Cost of Materials in the *pro forma* consolidated income statement.

(2) Utilization of Revolving Credit Facility:

The *pro forma* adjustments assume that Takko would have utilized the Revolving Credit Facility in a different way if the Acquisition had already occurred on 1 May 2010. Assuming Takko's cash balance as of 1 May 2010 would have amounted to zero the Revolving Credit Facility would have been utilized in an amount of EUR 20m for the duration of two months commencing 1 May 2010. The effect on interest expenses including the commitment fee for the unused part of the Revolving Credit Facility excluding effects from amortised costs amounts to EUR 0.4m.

(3) Interest rate hedges:

Upon closing of the Acquisition, the former Senior Facilities Agreement has been terminated and has been replaced by a new Senior Facilities Agreement. As the loan volumes and interest conditions of the new Senior Facilities Agreement differ from the former one, the respective interest rate hedging arrangements have also been terminated before closing and replaced by new swap and cap agreements. The expenses of the cancellation of the former hedging arrangements have been accounted for in the combined income statement of the Takko Combined Entities for the period from 1 May 2010 to 8 February 2011. The *pro forma* adjustments assume a closing of the transaction on 1 May 2010 and the respective termination of the hedging contracts before 1 May 2010. This results in an elimination of the settlement costs as well as an adjustment with regard to the hedging conditions; the respective net effect of EUR 9.7m reduces the finance costs.

The following *pro forma* adjustments have been performed with a continuing effect on the results of operations

(4) Interest from the shareholder loan / PECs from Salsa MidCo to Salsa DebtCo 1

Sources of financing for the Acquisition comprised EUR 675m of equity from Apax, a EUR 100m subordinated vendor loan provided by Advent Vision S.à r.l. and EUR 600m bank loans. At the level of Salsa Retail Holding DebtCo 1 S.à r.l. the equity funding by Apax comprises capital contributions on the one hand and preferred equity certificates (= PECs) on the other hand. Furthermore, the subordinated vendor loan which has been granted by Advent Vision S.à r.l. to Salsa Retail Holding MidCo S.à r.l. has been transferred to Salsa Retail Holding DebtCo 1 S.à r.l. in the form of further PECS. In total Salsa Retail Holding DebtCo 1 S.à r.l. holds PECs at an amount of EUR 258m with various tranches and interest conditions. The *pro forma* consolidated income statement presents adjusted interest expenses for shareholder loans in total of EUR 16.8m assuming that the new PECs have already been granted as of 1 May 2010 and that the former shareholder loan has been repaid as of 1 May 2010. This leads to a *pro forma* adjustment of additional finance costs for the period from 1 May 2010 to 30 April 2011 amounting to EUR 3.8m.

(5) Interest expense from the bank debt

As mentioned above sources of financing for the Acquisition comprised EUR 675m of equity from Apax, a EUR 100m subordinated vendor loan provided by Advent International and EUR 600m bank loans. The *pro forma* consolidated income statement is based on the assumption that the use of the bank debt has already occurred on 1 May 2010. This assumption leads to total interest expense for the Senior Term Loan of EUR 38.7m in the period from 1 May 2010 to 30 April 2011. The additional interest expenses of EUR 15.2m for the period from 1 May 2010 to 8 February 2011 are reflected in the finance costs.

(6) Letters of credit facility:

The new Senior Facilities Agreement defines different fees for the usage of documentary letters of credit which support the merchandise import. The *pro forma* consolidated income statement assumes that the new fee arrangements for letters of credit became effective on 1 May 2010 leading to an increase of other operating expenses of EUR 2.4m.

(7) Treatment of tax impacts:

In particular Takko Holding GmbH carried forward, for periods prior to the Acquisition significant losses concerning income taxes and interest expenses. As Takko Group will establish a unified fiscal entity (*Organschaft*) in Germany at the earliest possible date after the Acquisition, which will be 1 May 2011, remaining tax loss carry-forwards, if any, will not be realizable in the foreseeable future. The *pro forma* consolidated income statement assumes that the unified fiscal entity has already been established as of 1 May 2010. Thus the current and deferred income tax expenses for the period 1 May 2010 to 30 April 2011 have been calculated on the basis of the following effects:

a) The actual tax loss carry forward and the interest carry forward due to the German interest barrier rules ("Zinsschranke") of Takko Holding GmbH as of 30 April 2010 cannot be used in the foreseeable future.

b) The advantages of a unified fiscal entity have been reflected.

Considering the aforementioned general changes of the tax structure in Germany as well as the impact of the other *pro forma* adjustments on the tax base, the *pro forma* consolidated income statement presents an additional income tax expense of EUR 2.0m.

Furthermore, the interest barrier rules in Germany do not allow the full usage of the *pro forma* interest expenses for the calculation of the tax base leading to a deferred tax asset of EUR 6.4m with a corresponding positive impact on the income tax expense.

In connection with the *pro forma* adjustment considering the residual amount of the amortization of step up on inventories (EUR 69.0m), deferred tax income amounting to EUR 20.7m has been adjusted in the *pro forma* consolidated income statement. We refer to "PPA step-up effect on inventories."

Luxembourg, 15 July 2011

The Management

Appendix—Supplementary Information to the Pro Forma Consolidated Income Statement

Appendix I

Pro Forma Consolidated Net Revenue by Region for the Period from 1 May 2010 to 30 April 2011

in EUR k	*07 December 2010 – 30 April 2011*	*01 May 2010 –08 February 2011*	*Total*	*Pro Forma Adjustment*	*Pro Forma*
Germany	**142,462**	492,576	635,038		635,038
Austria	18,050	64,237	82,287		82,287
Switzerland	2,158	6,281	8,439		8,439
Netherlands	8,229	25,145	33,374		33,374
Belgium	974	2,214	3,188		3,188
Italy	863	798	1,661		1,661
Total Western & Central Europe	**30,274**	**98,675**	**128,949**		**128,949**
Czech	12,863	48,092	60,955		60,955
Hungary	5,059	19,806	24,865		24,865
Slovakia	4,643	16,383	21,026		21,026
Romania	4,677	16,026	20,703		20,703
Poland	4,620	14,772	19,392		19,392
Slovenia	2,215	8,319	10,534		10,534
Lithuania	885	3,175	4,060		4,060
Estonia	757	3,083	3,840		3,840
Croatia	2,157	7,016	9,173		9,173
Total Eastern Europe	**37,876**	**136,672**	**174,548**		**174,548**
	210,612	**727,923**	**938,535**		**938,535**

Appendix II

Pro Forma Consolidated Other Operating Income for the Period from 1 May 2010 to 30 April 2011

in EUR k	*07 December 2010 – 30 April 2011*	*01 May 2010 – 08 February 2011*	*Total*	*Pro Forma Adjustment*	*Pro Forma*
Rental income from subleasing	325	1,128	1,453		1,453
Income from the reversal of provisions / bad debt allowances	2,090	1,648	3,738		3,738
Cost reimbursements / insurance indemnity payments	723	3,808	4,531		4,531
Foreign exchange gains	72	1,252	1,324		1,324
Miscellaneous	1,301	4,270	5,572		5,572
	4,511	**12,107**	**16,618**		**16,618**

Appendix III

Pro Forma Consolidated Other Operating Expenses for the Period from 1 May 2010 to 30 April 2011

in EUR k	*07 December 2010 – 30 April 2011*	*01 May 2010 – 08 February 2011*	*Total*	*Pro Forma Adjustment*	*Pro Forma*
Expenses for maintenance / renovation	2,468	8,335	10,803		10,803
Logistics expenses such as freight / vehicle costs / third party services / wages for contract workers	4,214	13,913	18,127		18,127
Consulting fees	1,512	3,996	5,508		5,508
Travel and entertainment expenses	868	2,586	3,454		3,454
Incidental personnel expenses	1,368	3,353	4,721		4,721
Bank charges and fees	1,025	3,066	4,091		4,091
IT and telephone costs	1,632	5,051	6,683		6,683
Brokerage commissions	709	1,476	2,185		2,185
Contribution, fees and dues	751	1,859	2,610		2,610
Foreign exchange impacts	0	1,373	1,373		1,373
Transaction and reorganization costs	17,808	2,890	20,698		20,698
Fees for letters of credit	2,184	3,809	5,993	2,385	8,378
Miscellaneous	1,939	4,767	6,706		6,706
	36,478	**56,474**	**92,952**	**2,385**	**95,337**

Appendix IV

Pro Forma Consolidated Personnel Expenses for the Period from 1 May 2010 to 30 April 2011

in EUR k	*07 December 2010 – 30 April 2011*	*01 May 2010 – 08 February 2011*	*Total*	*Pro Forma Adjustment*	*Pro Forma*
Wages and salaries	35,318	106,118	141,436		141,436
Social security costs	7,143	22,809	29,952		29,952
	42,461	**128,927**	**171,388**		**171,388**

Appendix V

Pro Forma Consolidated Depreciation, Amortization and Impairment of Property, Plant and Equipment and Intangible Assets for the Period from 1 May 2010 to 30 April 2011

in EUR k	*07 December 2010 – 30 April 2011*	*01 May 2010 – 08 February 2011*	*Total*	*Pro Forma Adjustment*	*Pro Forma*
Amortization of other concessions and licenses	325	1,021	1,346		1,346
Amortization of land and buildings	109	349	458		458
Amortization of furnitures, fixtures and office equipments	6,602	16,686	23,288		23,288
Amortization of finance leases	2,183	7,589	9,772		9,772
	9,219	**25,645**	**34,864**		**34,864**

Appendix VI

Pro Forma Consolidated Financial Result for the Period from 1 May 2010 to 30 April 2011

in EUR k	*07 December 2010 – 30 April 2011*	*01 May 2010 – 08 February 2011*	*Total*	*Pro Forma Adjustment*	*Pro Forma*
Finance costs:					
—Senior term loan	(8,684)	(8,265)	(16,949)	(21,705)	(38,655)
—Second lien loan		(4,612)	(4,612)	4,612	
—Effects from amortized costs	(985)	(6,354)	(7,339)	2,246	(5,092)
—Working capital facility	(315)	(160)	(475)	(374)	(849)
—Finance leases	(805)	(2,670)	(3,475)		(3,475)
—Shareholder loan	(3,753)	(9,176)	(12,929)	(3,820)	(16,750)
—Interest rate hedges	(423)	(11,913)	(12,336)	9,707	(2,629)
—Other finance costs	(1,983)	79	(1,904)		(1,904)
	(16,948)	**(43,069)**	**(60,018)**	**(9,335)**	**(69,353)**
Finance income					
—Interest income from bank balances/deposits	26	90	116		116
—Other interest income	1,357	148	1,505		1,505
—Interest rate hedges	90		90		90
	1,473	**238**	**1,711**	**0**	**1,711**
	(15,476)	**(42,832)**	**(58,307)**	**(9,335)**	**(67,643)**

Appendix VII

Pro Forma Consolidated Income Tax for the Period from 1 May 2010 to 30 April 2011

in EUR k	*07 December 2010 – 30 April 2011*	*01 May 2010 – 08 February 2011*	*Total*	*Pro Forma Adjustment*	*Pro Forma*
Deferred tax income	20,274	(461)	19,813	27,042	46,855
Income tax income	230	(11,143)	(10,913)	(2,183)	(13,096)
Corporate income tax expense (-) /-income (+)	**20,504**	**(11,604)**	**8,900**	**24,859**	**33,759**

REGISTERED OFFICE OF THE ISSUER

TAKKO LUXEMBOURG 2 S.C.A.
1-3 boulevard de La Foire,
L-1528 Luxembourg,
Grand Duché de Luxembourg

REGISTERED OFFICE OF DEUTSCHE BANK AG, LONDON BRANCH
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LEGAL ADVISORS

To the Issuer

as to U.S. and English law
Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London EC2Y 9HU
United Kingdom

as to Luxembourg law
OPF Partners
291 Route d'Arlon
B.P.603/L-2016
Luxembourg

as to German law
Hengeler Mueller
Bockenheimer Landstraße 24
60323 Frankfurt am Main,
Germany

To the Initial Purchasers

as to U.S. law
Cravath, Swaine & Moore LLP
CityPoint
One Ropemaker Street
London EC2Y 9HR
United Kingdom

as to Luxembourg law
Clifford Chance
4 Place de Paris
B.P. 1147
L-2314 Luxembourg
Luxembourg

as to German law
Clifford Chance Partnerschaftsgesellschaft
Theresienstraße 4-6
80333 München
Germany

To the Trustee
White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

PRINCIPAL PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

REGISTRAR, LUXEMBOURG LISTING AGENT AND LUXEMBOURG TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg
Luxembourg

SECURITY AGENT

UniCredit Luxembourg S.A.
4, rue Alphonse Weicker
L-2721 Luxembourg
Luxembourg

INDEPENDENT AUDITORS
To Salsa Retail Holding DebtCo 1 S.à r.l.
Ernst & Young Société Anonyme
7, rue Gabriel Lippman Parc
d'Activité Syrdall 2
L-5365 Munsbach
Luxembourg

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this offering memorandum. You must not rely on any unauthorized information or representations. This offering memorandum is an offer to sell only the Notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this offering memorandum is current only as of its date.

Takko Luxembourg 2 S.C.A.

€380,000,000 9.875% Senior Secured Notes due 2019
€145,000,000 Floating Rate Senior Secured Notes due 2019

OFFERING MEMORANDUM

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank **Goldman Sachs International** **UniCredit Bank**

Joint Bookrunner

Nomura

Printed by RR Donnelley 496055

€380,000,000 9.875% Senior Secured Notes due 2019
€145,000,000 Floating Rate Senior Secured Notes due 2019