

HEMA Bondco I B.V.
€250,000,000 Senior Secured Floating Rate Notes due 2019
€315,000,000 6.25% Senior Secured Fixed Rate Notes due 2019

HEMA Bondco II B.V.
€150,000,000 8.50% Senior Notes due 2019

HEMA Bondco I B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands (the "Senior Secured Notes Issuer"), is offering €250 million aggregate principal amount of its senior secured floating rate notes due 2019 (the "Senior Secured Floating Rate Notes") and €315 million aggregate principal amount of its 6.25% senior secured fixed rate notes due 2019 (the "Senior Secured Fixed Rate Notes" and, together with the Senior Secured Floating Rate Notes, the "Senior Secured Notes"). HEMA Bondco II B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands (the "Senior Notes Issuer" and, together with the Senior Secured Notes Issuer, the "Issuers"), is offering €150 million aggregate principal amount of its 8.50% senior notes due 2019 (the "Senior Notes" and, together with the Senior Secured Notes, the "Notes").

The Senior Secured Floating Rate Notes will bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 5.25%. The Senior Secured Notes Issuer will pay interest on the Senior Secured Floating Rate Notes quarterly on each March 15, June 15, September 15 and December 15, commencing on September 15, 2014. The Senior Secured Floating Rate Notes will mature on June 15, 2019. The Senior Secured Notes Issuer will pay interest on the Senior Secured Fixed Rate Notes semi-annually on each June 15 and December 15, commencing on December 15, 2014. The Senior Secured Fixed Rate Notes will mature on June 15, 2019. The Senior Notes Issuer will pay interest on the Senior Notes semi-annually on each June 15 and December 15, commencing on December 15, 2014. The Senior Notes will mature on December 15, 2019.

Prior to June 15, 2015, the Senior Secured Notes Issuer may redeem some or all the Senior Secured Floating Rate Notes, prior to June 15, 2016, the Senior Secured Notes Issuer may redeem some or all of the Senior Secured Fixed Rate Notes and prior to December 15, 2016, the Senior Notes Issuer may redeem some or all of the Senior Notes, in each case at a price equal to 100% of the principal amount of the relevant Notes redeemed, plus accrued and unpaid interest, if any, plus a "make whole" premium, as described in this offering memorandum.

The Senior Secured Notes Issuer may redeem some or all the Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes on or after June 15, 2015, and June 15, 2016 respectively, and the Senior Notes Issuer may redeem some or all of the Senior Notes on or after December 15, 2016, in each case at the redemption prices set out in this offering memorandum, plus accrued and unpaid interest, if any.

Prior to June 15, 2015, the Senior Secured Notes Issuer may redeem up to 40% of the original aggregate principal amount of the Senior Secured Floating Rate Notes (including Additional Senior Secured Floating Rate Notes) with the net cash proceeds from certain equity offerings at a price equal to 100.000% plus three month EURIBOR plus 5.25% of the principal amount of the relevant Notes redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the relevant Notes (including Additional Senior Secured Floating Rate Notes) remains outstanding after the redemption.

Prior to June 15, 2016, the Senior Secured Notes Issuer may redeem up to 40% of the original aggregate principal amount of the Senior Secured Fixed Rate Notes (including Additional Senior Secured Fixed Rate Notes) with the net cash proceeds from certain equity offerings at a price equal to 106.250% of the principal amount of the relevant Notes redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the relevant Notes (including Additional Senior Secured Fixed Rate Notes) remains outstanding after the redemption.

Prior to December 15, 2016, the Senior Notes Issuer may redeem up to 40% of the original aggregate principal amount of the Senior Notes (including Additional Senior Notes) with the net cash proceeds from certain equity offerings at a price equal to 108.500% of the principal amount of the relevant Notes redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the relevant Notes (including Additional Senior Notes) remains outstanding after the redemption.

Further, the Issuers may redeem all, but not part, of the Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest, if any, and any additional amounts, if any, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain change of control events, the Issuers may be required to offer to redeem the Notes at 101% of the principal amount redeemed, plus accrued and unpaid interest, if any.

The Senior Secured Notes will be senior secured obligations of the Senior Secured Notes Issuer and will rank *pari passu* in right of payment with all of the Senior Secured Notes Issuer's unsubordinated indebtedness, senior to all of the Senior Secured Notes Issuer's indebtedness that is subordinated in right of payment to the Senior Secured Notes and effectively senior to all the Senior Secured Notes Issuer's unsecured indebtedness to the extent of the value of the assets securing the Senior Secured Notes. The Senior Notes will be senior obligations of the Senior Notes Issuer and will rank *pari passu* in right of payment with all of the Senior Notes Issuer's unsubordinated indebtedness and senior to all of the Senior Notes Issuer's indebtedness that is subordinated in right of payment to the Senior Notes.

The Senior Secured Notes will be guaranteed on a senior basis by the Senior Secured Notes Guarantors (as defined herein) and the Senior Notes will be guaranteed on a senior subordinated basis by the Senior Notes Guarantors (as defined herein).

The Senior Secured Notes and the guarantees thereof (the "Senior Secured Notes Guarantees") will be secured by a first-priority security interest over (i) all present and future equity interests in each of the Issuers and in each of the Senior Secured Notes Guarantors, (ii) substantially all of the assets of the Senior Notes Issuer, the Company and certain of its subsidiaries that also secure the Company's obligations under the Revolving Credit Facility Agreement (as defined herein), subject to certain agreed security principles, (iii) the Subordinated Company Liabilities (as defined herein) and (iv) a security interest over the proceeds loans made by the Issuers to the Company on the Issue Date (the "Senior Secured Notes Collateral"). The Senior Notes and the guarantees thereof (the "Senior Notes Guarantees" and, together with the Senior Secured Notes Guarantees, the "Notes Guarantees") will be secured, on a basis junior to the Senior Secured Notes, by a security interest over (i) substantially all the assets of the Senior Notes Issuer, (ii) all present and future equity interests in each of the Issuers and the Company, (iii) the Subordinated Company Liabilities and (iv) the proceeds loans made by the Issuers to the Company on the Issue Date (the "Senior Notes Collateral" and, together with the Senior Secured Notes Collateral, the "Collateral"). For a more detailed description of the Collateral (as defined herein), see "Description of the Senior Secured Notes—Security" and "Description of the Senior Notes—Security." Pursuant to the terms of the Intercreditor Agreement (as defined herein), any liabilities in respect of obligations under the Revolving Credit Facility Agreement or in respect of certain hedging obligations, in each case, that are secured by assets that also secure our obligations under the Senior Secured Notes and the Senior Secured Notes Guarantees will receive priority with respect to any proceeds received upon any enforcement action over any Collateral. The Senior Notes will receive any proceeds from the Collateral only after all obligations under the Senior Secured Notes have been paid in full.

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF. The Euro MTF of the Luxembourg Stock Exchange is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments, as amended. There is no assurance that the Notes will be listed and admitted to trade on the Euro MTF.

The Notes will be represented on issue by one or more global notes which we expect will be delivered in book-entry form through the facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream") on June 17, 2014 (the "Issue Date").

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 29.

Senior Secured Floating Rate Notes Price: 100.0% of principal plus accrued interest, if any, from the Issue Date.
Senior Secured Fixed Rate Notes Price: 100.0% of principal plus accrued interest, if any, from the Issue Date.
Senior Notes Price: 100.0% of principal plus accrued interest, if any, from the Issue Date.

The Notes and Note Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the offering of the Notes and Note Guarantees is being made inside the United States only to "qualified institutional buyers" ("QIBs") as defined in Rule 144A under the U.S. Securities Act ("Rule 144A") in compliance with Rule 144A and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). Prospective purchasers that are QIBs are hereby notified that the Initial Purchasers (as defined herein) may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "Notice to Investors" for additional information about eligible offerees and transfer restrictions.

Sole Global Coordinator and Physical Bookrunner

Credit Suisse

Joint Bookrunners

ABN AMRO

BNP PARIBAS

Citigroup

J.P. Morgan

The Royal Bank of Scotland

CONTENTS

SUMMARY	1	DESCRIPTION OF THE SENIOR NOTES	248
RISK FACTORS	29	BOOK-ENTRY; DELIVERY AND FORM	333
USE OF PROCEEDS	64	TAX CONSIDERATIONS	338
CAPITALIZATION	65	LIMITATIONS ON VALIDITY AND	
SELECTED HISTORICAL CONSOLIDATED		ENFORCEABILITY OF THE NOTES	
FINANCIAL INFORMATION	66	GUARANTEES AND SECURITY INTERESTS .	345
MANAGEMENT'S DISCUSSION AND		PLAN OF DISTRIBUTION	358
ANALYSIS OF FINANCIAL CONDITION		NOTICE TO INVESTORS	361
AND RESULTS OF OPERATIONS	69	LEGAL MATTERS	364
INDUSTRY	92	INDEPENDENT AUDITORS	364
BUSINESS	100	WHERE TO FIND ADDITIONAL	
MANAGEMENT	127	INFORMATION	364
PRINCIPAL SHAREHOLDER	131	SERVICE OF PROCESS AND ENFORCEMENT	
DESCRIPTION OF CERTAIN RELATED		OF CIVIL LIABILITIES	365
PARTY TRANSACTIONS	133	LISTING AND GENERAL INFORMATION	368
DESCRIPTION OF OTHER INDEBTEDNESS ..	134	INDEX TO FINANCIAL STATEMENTS	F-1
DESCRIPTION OF THE SENIOR SECURED			
NOTES	159		

You should rely only on the information contained in this offering memorandum. None of the Issuers, the Guarantors or any of the Initial Purchasers has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. None of the Issuers, the Guarantors or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where the offering is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

IMPORTANT INFORMATION ABOUT THE OFFERING

This offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may this offering memorandum be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

This offering memorandum has been prepared by us solely for use in connection with this offering. This offering memorandum does not constitute an offer to any person or to the public generally to subscribe for or otherwise acquire Notes. Each prospective investor, by accepting delivery of and accessing this offering memorandum, agrees to the foregoing.

In making an investment decision, prospective investors must rely on their own examination of our company and the terms of this offering, including the merits and risks involved. In addition, none of the Issuers, the Guarantors, the Initial Purchasers, the Trustees, the Paying Agent, the Transfer Agent and the Security Agent (each, as defined below) nor any of their respective representatives are making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business, tax or other advice. You should consult your own advisors as to the legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; none of the Issuers, the Guarantors nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

This offering memorandum is based on information provided by us and other sources that we believe to be reliable. The Initial Purchasers, the Trustees, the Paying Agent, the Transfer Agent and the Security Agent (each, as defined below) are not making any representation or warranty, express or implied, that this information is accurate or complete and are not responsible for this information. To the fullest extent permitted by law, the Initial Purchasers, the Trustees, the Paying Agent, the Transfer Agent and the Security Agent (each, as defined below) do not accept any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the Issuers in connection with the issuance and Offering. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this offering memorandum or any such statement. The Initial Purchasers do not undertake to review the financial condition or affairs of the Issuers or any Guarantor during the life of the Notes or to advise any investor or potential investor in the Notes of any information coming to the attention of any Initial Purchaser. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by any of the Initial Purchasers as to the past or future. In this offering memorandum, we have summarized certain documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding.

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

The information contained in this offering memorandum is correct as of the date hereof. Neither the delivery of this offering memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this offering memorandum or in our business since the date of this offering memorandum.

The information contained in this offering memorandum under the caption “*Exchange Rate Information*” includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing such information, we accept no further responsibility in respect thereto.

By receiving this offering memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also

acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

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 the applicable state securities laws, pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled “*Plan of Distribution*” and “*Notice to Investors*.”

The Notes will be available initially only in book-entry form. We expect that the Notes sold pursuant to this offering memorandum will be issued in the form of one or more global notes, which will be deposited with, or on behalf of, a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by Euroclear and Clearstream and their direct and indirect participants, as applicable. After the initial issuance of the global notes, Notes in certificated form will be issued in exchange for the global notes only as set forth in each of the indentures governing the Notes (the “*Indentures*”). See “*Book-Entry; Delivery and Form*.”

The information set out in relation to sections of this offering memorandum describing clearing arrangements, including the section “*Book-Entry; Delivery and Form*,” is subject to any change in, or reinterpretation of, the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information. Euroclear and Clearstream are not under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

The Issuers reserve the right to withdraw the offering at any time. The Issuers and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Notes sought by it. The Initial Purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

We cannot guarantee that the application we will make to the Official List of the Luxembourg Stock Exchange for the Notes to be listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditional on obtaining this admission to trading.

STABILIZATION

IN CONNECTION WITH THE OFFERING OF THE NOTES, CREDIT SUISSE SECURITIES (EUROPE) LIMITED OR ONE OF ITS AFFILIATES OR PERSONS ACTING ON ITS BEHALF (THE “*STABILIZING MANAGER*”) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT A STABILIZING MANAGER WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE ISSUE DATE, OR NO LATER THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES, WHICHEVER IS EARLIER.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this offering memorandum under the “*Notice to Investors*” section of this offering memorandum.

SETTLEMENT CYCLE FOR THE NOTES

We expect that the delivery of the Notes will be made against payment therefor on June 17, 2014, which will be the fifth business day following the date of pricing of the Notes (such settlement cycle being herein

referred to as “T+5”). Under Rule 15(c)6-1 under the U.S. Exchange Act (as defined herein), trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next two succeeding business days should consult their advisors.

NOTICE TO INVESTORS IN THE UNITED STATES

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to qualified institutional buyers within the meaning of Rule 144A, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A. The Notes may be offered and sold outside the United States in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see “*Notice to Investors*.”

Neither the U.S. Securities and Exchange Commission (the “SEC”), any U.S. state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED (“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 OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, 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 IN THE EUROPEAN ECONOMIC AREA

This offering memorandum is not a prospectus and is being distributed to a limited number of recipients for the sole purpose of assisting such recipients in determining whether to proceed with a further investigation of the purchase of, or subscription for, the Notes. This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area (the “EEA”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes, which are the subject of the placement contemplated in this offering memorandum, should only do so in circumstances in which no obligation arises for us or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuers nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a “*Relevant Member State*”), each Initial Purchaser has represented and agreed that with effect from and

including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “*Relevant Implementation Date*”) it has not made and will not make an offer of Notes that are the subject of this offering memorandum to the public in that Relevant Member State prior to the publication of a prospectus in relation to 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 it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes in the Relevant Member State at any time:

- (a) to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall result in a requirement for the publication by the Issuers or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to a prospectus pursuant to Article 16 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 the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; the expression “Prospectus Directive” means the Directive 2003/71/EC of November 4, 2003 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression “2010 PD Amending Directive” means the Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This offering memorandum is for distribution only to, and is only directed at, persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “*Financial Promotion Order*”)); (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). 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 document 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 our prior written consent. 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 the Financial Services and Markets Act 2000.

NOTICE TO INVESTORS IN THE NETHERLANDS

This offering memorandum is directed only at qualified investors (*gekwalficeerde beleggers*) as defined in the Prospectus Directive, as amended and as implemented in the Netherlands. The Notes have not, may not and will not be offered to the public in the Netherlands, other than exclusively to qualified investors (*gekwalficeerde beleggers*). This offering memorandum must not be acted on or relied on by persons who are not qualified investors (*gekwalficeerde beleggers*). Any investment or investment activity to which this offering memorandum relates is available only to qualified investors (*gekwalficeerde beleggers*) and will be

engaged in only with qualified investors (*gekwalficeerde beleggers*). Recipients of this offering memorandum are not permitted to transmit it to any other person. For the purposes of this provision, the expression “offer of notes to the public” in relation to any Notes in the Netherlands means to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the Notes, or to issue an invitation to make an offer of the Notes.

NOTICE TO INVESTORS IN BELGIUM

This offering memorandum relates to a private placement of the Notes and does not constitute an offer or solicitation to the public in Belgium to subscribe for or acquire the Notes. The offering has not been and will not be notified to, and this offering memorandum has not been, and will not be, approved by the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) pursuant to the Belgian laws and regulations applicable to the public offering of notes. Accordingly, the offering, as well as any other materials relating to the offering, may not be advertised, the Notes may not be offered or sold, and this offering memorandum or any other information circular, brochure or similar document may not be distributed, directly or indirectly, (i) to any other person located and/or resident in Belgium other than in circumstances which do not constitute an offer to the public in Belgium pursuant to the Belgian Act of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market or (ii) to any persons qualifying as a consumer within the meaning of the Belgian Act of April 6, 2010 on market practices and consumer protection (effective May 31, 2014, the Belgian Act of April 6, 2010 will become Book VI of the new Belgian Economic Law Code). This offering memorandum has been issued to the intended recipient for personal use only and exclusively for the purpose of the offer. Therefore it may not be used for any other purpose, nor passed on to any other person in Belgium.

NOTICE TO INVESTORS IN LUXEMBOURG

This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier, CSSF*) or a competent authority of another EU Member State for notification to the CSSF, where applicable, for the purposes of public offering or sale of the Notes in the Grand Duchy of Luxembourg (“*Luxembourg*”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg directly or indirectly, and neither this offering memorandum nor any other offering 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 an offer of securities to the public requiring the publication of a prospectus in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended, (the “*Prospectus Act*”) and implementing the Prospectus Directive. Consequently, this offering memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Act, (ii) no more than 149 prospective investors, which are not qualified investors and/or (iii) in any other circumstance contemplated by the Prospectus Act.

NOTICE TO INVESTORS IN FRANCE

This offering memorandum has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the French financial markets authority, or “*AMF*”). Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France (“*offre au public de titres financiers*”), and neither this offering memorandum nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The Notes may only be offered or sold in France to qualified investors (“*investisseurs qualifiés*”) and/or to providers of investment services relating to portfolio management for the account of third parties (“*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*”), all as defined in and in accordance with Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*.

Prospective investors in France are informed that:

- (a) this offering memorandum has not been and will not be submitted for clearance to the AMF;

- (b) in compliance with Articles L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*, any investors subscribing for the Notes should be acting for their own account; and
- (c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

NOTICE TO INVESTORS IN 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 under German law 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. The Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2, No. 6 of the Securities Prospectus Act or who are subject of another exemption in accordance with Section 3 paragraph 2 of the Securities Prospectus Act. Any resale of the Notes in Germany may be made only in accordance with the Securities Prospectus Act and other applicable laws.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains “forward-looking statements” within the meaning of the securities laws of certain jurisdictions, including statements under the captions “*Summary*,” “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Industry*,” “*Business*” and in other sections. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes,” “could,” “estimates,” “anticipates,” “expects,” “intends,” “may,” “will,” “plans,” “continue,” “ongoing,” “potential,” “predict,” “project,” “target,” “seek,” “should” or “would” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this offering memorandum.

These factors include, among others:

- general economic conditions worldwide and particularly in the Benelux;
- the execution of our business and store expansion strategies;
- our ability to compete effectively;
- our ability to grow our e-commerce platform;
- our ability to predict or fulfill consumer preferences or demand accurately;
- potential challenges related to the launch of new products and expanding into new product units;
- potential damages to our brand or reputation;

- our ability to address future developments with respect to the safety and quality of our products or health concerns;
- our ability to provide superior customer experience;
- our ability to adequately establish and protect our intellectual property rights and the confidentiality of our proprietary information and know-how;
- potential infringements of third-parties' intellectual property and other potential litigation;
- the effectiveness of our advertising and marketing programs;
- our dependence on suppliers located outside the European Union for a significant portion of our products, on a few manufacturers for certain products and services, on the availability of raw materials and on the ability of our suppliers to meet our requirements;
- our ability to locate and develop relationships with a sufficient number of new suppliers;
- the availability of adequate remedies against our suppliers for defective merchandise and for unsatisfactory services;
- the impact of weak sales during peak selling seasons, severe or unseasonal weather conditions and catastrophic events;
- the impact of our franchise ownership structure;
- potential risks to our facilities;
- the increase of transportation costs and disruption of transportation services;
- our ability to obtain and renew the licenses for the properties in which we operate our stores, and our ability to renew or replace our store leases at favorable terms;
- our ability to maintain our currently favorable working capital position;
- our ability to maintain certain licenses for the performance of our business;
- the impact of increases in the rate of taxes (especially the value added tax) or other applicable tariffs;
- the impact of the numerous statutes and regulations that we are subject to and complaints from customers and other third parties;
- the impact of changes in credit and debit card provider requirements or applicable regulations;
- the impact of shop crime and fraud in our stores;
- the impact of the use of social media;
- our dependence on our information technology systems;
- our ability to protect confidential information of our customers and network against security breaches;
- the impact of labor relations problems;
- our ability to recruit or retain key management and personnel;
- potential liabilities that may not be covered by insurance;
- currency fluctuations;
- the impact of any increase of our pension fund contributions;
- the impact of changes in accounting standards or interpretations issued by standard-setting bodies for IFRS;
- our substantial leverage and ability to generate sufficient cash to service our debt and to refinance these borrowings upon maturity;
- risks associated with our structure, the Notes, the Notes Guarantees, the Collateral and our other borrowings; and
- other factors discussed under “*Risk Factors*” and elsewhere in this offering memorandum.

These risks and others described under “*Risk Factors*” are not exhaustive. Other sections of this offering memorandum describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this offering memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this offering memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this offering memorandum. As a result, you should not place undue reliance on these forward-looking statements.

INDUSTRY AND MARKET DATA

The market and competitive position data in the sections “*Summary*,” “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Industry*” and “*Business*” of this offering memorandum are estimates by management based on industry publications, surveys or studies conducted by management or by third party industry consultants and market research firms, or publicly available information from sources that are generally believed to be reliable. We sourced a substantial portion of the market data presented in this offering memorandum from a report produced by a third party consultant in May 2014, which details the results of a market survey and analysis that we commissioned.

The accuracy and completeness of such information is not guaranteed and has not been independently verified. Additionally, industry publications, surveys or studies generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed and in some instances the sources do not assume liability for such information. We cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market data. We do, however, accept responsibility for the correct reproduction of this information.

Some of the information herein has also been extrapolated from market data, reports, surveys and studies using our experience and internal estimates. Elsewhere in this offering memorandum, statements regarding the industry in which we operate and our position in this industry are based solely on our experience, internal studies, estimates and surveys, and our own investigation of market conditions. We believe that the sources of such information in this offering memorandum are reliable, but there can be no assurance that any of these assumptions is accurate or correctly reflects our position in our industry, and none of our internal surveys or information has been verified by any independent sources.

In addition, market data and statistics, including brand satisfaction, consumer trends, market shares, brand awareness and NPS scores, are generally based on market research, interviews and surveys conducted by us and third party industry consultants that were generally conducted during 2011 through 2014. Such market research is largely based on sampling and subjective judgments by both the researchers and the respondents, and there is no assurance that the responses received are reflective of actual market conditions or sentiment. Further, please be aware that the data and statistical information in this offering memorandum may differ from information provided by our competitors or from information found in current or future studies conducted by market research institutes, consultancy firms or independent sources.

While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading “*Risk Factors*” in this offering memorandum. As a result, neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such information in this offering memorandum.

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks, trade names or service marks that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum belongs to its holder. Some of the trademarks we own or have the right to use include “HEMA”. Solely for convenience, the trademarks, trade names and copyrights referred to in this offering memorandum are listed without the ©, ® and TM symbols, but we will assert, to the fullest extent under applicable law, our rights to these trademarks, trade names and service marks.

CERTAIN DEFINITIONS USED IN THIS OFFERING MEMORANDUM

Unless otherwise indicated or where the context otherwise requires, references to:

“*AFM*” are to the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*);

“*bodywear*” are to the product category comprised of swimwear, underwear and nightwear;

“*brand awareness*” are to the percentage of the consumers that replied “yes” to the question “do you know HEMA?” on a survey, performed in 2013 by a third party consultant, of approximately 3,000 consumers in the relevant geographical market;

“*Clearstream*” are to Clearstream Banking, *société anonyme*, a public limited liability company organized and established under the laws of Luxembourg, having its registered office at 42, avenue J.F. Kennedy, L-1855 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B9248;

“*Collateral*” are to the Senior Secured Notes Collateral and the Senior Notes Collateral (comprising a subset of the Senior Secured Notes Collateral which also secures the Senior Notes on a second priority basis behind the Senior Secured Notes, the Revolving Credit Facility and certain of our other senior indebtedness).

“*Company*”, “*HEMA*”, “*our*”, “*us*” and “*we*” are to HEMA B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands;

“*DFSA*” are to the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and further regulations thereto, each as amended, restated or re-enacted from time to time;

“*EEA*” are to the European Economic Area;

“*EU*” are to the European Union;

“*EURIBOR*” are to the Euro Interbank Offered Rate;

“*Euroclear*” are to Euroclear Bank SA/NV;

“*Existing Credit Facilities*” are to the credit facilities under the Existing Credit Facilities Agreements, including one or more term loans and revolving credit facilities;

“*Existing Credit Facilities Agreements*” are to the Existing Senior Facilities Agreement and the Existing Mezzanine Facility Agreement;

“*Existing Mezzanine Facility*” are to the credit facilities under the Existing Mezzanine Facility Agreement;

“*Existing Mezzanine Facility Agreement*” are to the mezzanine facility agreement dated July 5, 2007 among, amongst others, HEMA, as the original borrower, ABN AMRO Bank N.V. and Citigroup Global Markets Limited, as the arrangers, Citibank International plc, as the facility agent, and The Royal Bank of Scotland N.V., as the security agent, as amended;

“*Existing PIK Facility*” are to the credit facilities under the Existing PIK Facility Agreement;

“*Existing PIK Facility Agreement*” are to the payment-in-kind facility agreement dated July 5, 2007 among, amongst others, the Parent, as the original borrower, ABN AMRO Bank N.V. and Citigroup Global Markets Limited, as the arrangers, and Citibank International plc, as the facility agent, as amended;

“*Existing Senior Facilities*” are to the credit facilities under the Existing Senior Facilities Agreement;

“*Existing Senior Facilities Agreement*” are to the senior facilities agreement dated July 5, 2007 among, amongst others, HEMA, as the original borrower, ABN AMRO Bank N.V. and Citigroup Global Markets Limited, as the arrangers, The Royal Bank of Scotland plc, as the facility agent, and The Royal Bank of Scotland N.V., as the security agent and issuing bank, as amended;

“*Fiscal Year*” means the 52 or 53-week period ending on the Sunday nearest to January 31;

“*Guarantors*” are to the Senior Secured Notes Guarantors and the Senior Notes Guarantors;

“*HFS*” are to Hema Financial Services B.V.;

“*IFRS*” are to the International Financial Reporting Standards, as adopted by the EU;

“*Indentures*” are to the Senior Secured Notes Indenture and the Senior Notes Indenture;

“*Initial Purchasers*” are to Credit Suisse Securities (Europe) Limited, ABN AMRO Bank N.V., BNP Paribas, Citigroup Global Markets Limited, J.P. Morgan Securities plc and The Royal Bank of Scotland plc;

“*Insurance Agent*” are to HFS acting as an intermediary providing intermediary or advisory services (*bemiddelen/adviseren*) as meant in article 2:80 DFSA and 2:75 DFSA with respect to the several insurances for which HFS has obtained a licence for certain specific scope with the AFM;

“*Insurances*” are to the insurance products that we provide in our capacity as an Insurance Agent;

“*Intercreditor Agreement*” are to the intercreditor agreement among, amongst others, the Issuers, the Company, the Guarantors, the Trustee, the Security Agent, the facility agent under the Revolving Credit Facility Agreement and the other parties named therein, dated on the Issue Date;

“*Issue Date*” are to June 17, 2014;

“*Issuers*” are to the Senior Secured Notes Issuer and the Senior Notes Issuer;

“*Lion Capital*” are to the investment funds and partnerships managed by Lion Capital LLP or, when otherwise indicated or where the context otherwise requires, Lion Capital LLP in its own right;

“*Notes*” are to, collectively, the Senior Secured Notes and the Senior Notes offered hereby;

“*Notes Guarantees*” are to, collectively, the Senior Secured Notes Guarantees and the Senior Notes Guarantees;

“*Notes Proceeds Loans*” are to, collectively, the Senior Secured Notes Proceeds Loan and the Senior Notes Proceeds Loan;

“*NPS*” are to Net Promoter Score, a survey-based metric that nets the number of respondents that would recommend HEMA (i.e., promoters) against the number of respondents that would not recommend HEMA (i.e., detractors) that we use to evaluate our customers’ satisfaction with HEMA. NPS is measured by asking “how likely are you to recommend HEMA to a friend or colleague on a scale of 1 to 5.” Responses of 4 or 5 are scored as “promoters,” responses of 3 are scored as “neutral” and excluded as respondents from the scoring and responses of 1 or 2 are scored as “detractors.” NPS is calculated as the sum of the percentage of promoters less the percentage of detractors, with a negative percentage representing that there are more “detractors” and “neutral” than “promoters,” and a positive percentage representing that there are more “promoters” than “detractors” and “neutral.” See “*Industry and Market Data*”;

“*offering*” are to the offering of the Notes hereby;

“*our stores*” are to all HEMA stores, including both directly operated and franchise stores;

“*Parent*” are to Dutch Lion B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands, with its registered office at Prins Bernhardplein 200, 1097 JB, Amsterdam, the Netherlands;

“*Prospectus Directive*” are to Directive 2003/71/EC of the European Union, and any amendments thereto, including Directive 2010/73/EU;

“*Purchase Agreement*” are to the purchase agreement between the Issuers, the Guarantors and the Initial Purchasers, in relation to the Notes offered hereby;

“*Refinancing*” are to (a) the issuance of the Notes offered hereby and the use of proceeds therefrom as described in “*Use of Proceeds*” and the entering into of the Senior Secured Notes Proceeds Loan and the Senior Notes Proceeds Loan, on the Issue Date and the use of proceeds therefrom as described in “*Summary—The Refinancing*,” (b) the entry into the Revolving Credit Facility Agreement and drawdown thereunder on the Issue Date as described in “*Summary—The Refinancing*,” (c) the payment of all fees and expenses incurred in connection with such transactions, including (i) fees, commissions and discounts payable in connection with the issuance of the Notes and the Senior PIK Notes, (ii) fees relating to the Revolving Credit Facility, (iii) professional and legal fees, (iv) financial advisory fees, (v) costs associated with unwinding or amending and extending our existing hedging arrangements and (vi) other transaction costs;

“*Revolving Credit Facility*” are to the revolving credit facility made available pursuant to the Revolving Credit Facility Agreement;

“*Revolving Credit Facility Agreement*” are to a revolving credit facility agreement among, amongst others, the Company and The Royal Bank of Scotland plc as facility agent, governing a new €80 million super senior revolving credit facility dated on the Issue Date;

“*SEC*” are to the U.S. Securities and Exchange Commission;

“*Security Agent*” are to The Royal Bank of Scotland plc, as security agent under the Security Documents, the Senior Secured Notes Indenture, the Senior Notes Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement;

“*Security Documents*” are to the agreements creating security interests over the Collateral;

“*Senior Notes Collateral*” are to the assets the subject of the security interests securing, pursuant to the Intercreditor Agreement, the Senior Notes on a second priority basis, comprising substantially all the assets of the Senior Notes Issuer, all present and future equity interests in both Issuers and the Company, the Subordinated Company Liabilities and the Issuers’ interests in the respective Notes Proceeds Loans;

“*Senior Notes Guarantees*” are to the senior subordinated guarantees of the Senior Notes to be provided on a junior basis by all the Senior Notes Guarantors pursuant to the Senior Notes Indenture;

“*Senior Notes Guarantors*” are to the Company, Hema Bakkerijen B.V., Hema Financial Services B.V., Hema België B.V., Hema Duitsland B.V., the Senior Secured Notes Issuer and any other entity guaranteeing the obligations of the Senior Notes Issuer under the Senior Notes;

“*Senior Notes Indenture*” are to the indenture to be dated on the Issue Date governing the Senior Notes by and among, amongst others, the Issuer and the Senior Notes Trustee;

“*Senior Notes Issuer*” are to HEMA Bondco II B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands;

“*Senior Notes Proceeds Loan*” are to the loan provided under the loan agreement made on the Issue Date by the Company, as borrower, and the Senior Notes Issuer, as lender, in the amount of the Senior Notes offered hereby;

“*Senior Notes Trustee*” are to Citibank, N.A., London Branch, as trustee under the Senior Notes Indenture;

“*Senior PIK Notes*” are to the €85 million aggregate principal amount of Senior PIK Notes due 2020 offered by the Parent concurrently with this Offering;

“*Senior Secured Notes Collateral*” are to the assets the subject of the security interests securing, pursuant to the Intercreditor Agreement, obligations under the Senior Secured Notes, the Revolving Credit Facility and certain hedging obligations comprising the present and future equity interests in each of the Senior Secured Notes Guarantors, substantially all the assets of the Senior Secured Notes Guarantors, subject to certain agreed security principles, the present and future equity interests of the Senior Secured Notes Issuer, the Subordinated Company Liabilities and the Issuers’ respective interests in the Notes Proceeds Loans.

“*Senior Secured Notes Guarantees*” are to the senior guarantees of the Senior Secured Notes to be provided on a senior basis by all the Senior Secured Notes Guarantors pursuant to the Senior Secured Notes Indenture;

“*Senior Secured Notes Guarantors*” are to the Company, Hema Bakkerijen B.V., HEMA Financial Services B.V., Hema België B.V., Hema Duitsland B.V., the Senior Notes Issuer and any other entity guaranteeing the obligations of the Senior Secured Notes Issuer under the Senior Secured Notes;

“*Senior Secured Notes Indenture*” are to the indenture to be dated on the Issue Date governing the Senior Secured Notes by and among, amongst others, the Issuer and the Senior Secured Notes Trustee;

“*Senior Secured Notes Issuer*” are to HEMA Bondco I B.V., a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands;

“*Senior Secured Notes Proceeds Loan*” are to the loan provided under the loan agreement made on the Issue Date by the Company, as borrower, and the Senior Secured Notes Issuer, as lender, in the amount of the Senior Secured Notes offered hereby;

“*Senior Secured Notes Trustee*” are to Citibank, N.A., London Branch, as trustee under the Senior Secured Notes Indenture;

“*Stabilizing Manager*” are to Credit Suisse Securities (Europe) Limited;

“*Stock Keeping Units*” or “*SKUs*” are to the number of our products with distinctive identifier codes;

“*Subordinated Company Liabilities*” are to the shareholder loan owed by the Company to the Parent on the Issue Date. See “*Description of Certain Related Party Transactions—Shareholder Loan and Other Instruments*”;

“*Trustees*” are to the Senior Secured Notes Trustee and the Senior Notes Trustee, and references to “*Trustee*” are to each of them;

“*United States*,” “*US*” and “*U.S.*” are to the United States of America;

“*U.S. Exchange Act*” are to the U.S. Securities Exchange Act of 1934, as amended;

“*U.S. GAAP*” are to accounting principles generally accepted in the United States; and

“*U.S. Securities Act*” are to the U.S. Securities Act of 1933, as amended.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

The Issuers were incorporated on May 23, 2014 for the purpose of issuing the Notes and have no other operations. The Issuers have no material assets or liabilities and have not engaged in any activities other than those related to their incorporation in preparation for the Offering. Each of the Issuers will be a finance subsidiary of the Parent as of the Issue Date.

Because of the limited historical financial information available for the Issuers and the Parent, unless otherwise indicated, we have not included any historical financial information relating to the Issuers in this offering memorandum and the financial information presented in this offering memorandum is the historical consolidated financial information of the Company and its consolidated subsidiaries. The Issuers prepare standalone financial statements. See the annexes to this offering memorandum for the balance sheet of the Issuers dated as of June 17, 2014, reflecting this offering.

The historical financial information included in this offering memorandum, including the financial information discussed in “*Summary—Summary Consolidated Financial Information and Other Data*,” “*Selected Historical Consolidated Financial Information*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” has been derived, without material adjustment, from our audited consolidated financial statements for Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, included elsewhere in this offering memorandum.

We have included in this offering memorandum:

- the audited consolidated financial statements of the Company for the 52 weeks ended February 2, 2014;
- the audited consolidated financial statements of the Company for the 53 weeks ended February 3, 2013; and
- the audited consolidated financial statements of the Company for the 52 weeks ended January 29, 2012.

We prepare our annual financial statements on the basis of a 52- or 53-week financial period, ending on the Sunday nearest to January 31. As used in this offering memorandum, the 52-week period ended February 2, 2014 is referred to as “*Fiscal Year 2013*,” the 53-week period ended February 3, 2013 is referred to as “*Fiscal Year 2012*” and the 52-week period ended January 29, 2012 is referred to as “*Fiscal Year 2011*.”

We prepare our financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (“*IFRS*”). There could be significant differences between IFRS and generally accepted accounting principles in the United States of America (“*U.S. GAAP*”), as applied to us. We neither describe the differences between IFRS and U.S. GAAP nor reconcile our IFRS financial statements to U.S. GAAP. Accordingly, such information is not available to investors, and investors should consider this in making their investment decision. The Indentures impose no obligation on us to reconcile our future financial statements prepared under IFRS to U.S. GAAP.

We have also included in this offering memorandum unaudited consolidated as adjusted financial data relating to our consolidated net borrowings and cash interest expense, which have been adjusted to give effect to this offering and the use of proceeds therefrom as described under “*Use of Proceeds*.” The unaudited consolidated as adjusted financial data have been prepared for illustrative purposes only and do not purport to represent what our actual consolidated net borrowings or cash interest expense would have been if this offering had occurred (i) on February 2, 2014 for the purposes of the calculation of net borrowings, and (ii) on February 4, 2013 for the purposes of the calculation of cash interest expense nor do they purport to project our consolidated net borrowings and cash interest expense at any future date. The unaudited *pro forma* adjustments and the unaudited as adjusted financial data set out in this offering memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from actual amounts.

Various numbers and percentages set out in this offering memorandum have been rounded and accordingly may not total exactly.

The financial information included in this offering memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Notes and Notes Guarantees were being registered with the SEC.

Sales Measures

We use the following primary sales measures as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. These measures are used to compare the relative performance of operations in planning, budgeting and reviewing the performance of our business.

IFRS Sales Measures

The following are the primary IFRS sales measures that are used in this offering memorandum:

- **Net sales:** We generate and recognize net sales to retail customers at the point of sale in our directly owned stores and upon delivery of products to internet customers. We also generate net sales from the sale of products to retail franchisees, which are recognized upon delivery. We recognize franchise fees as net sales when all material services relating to the contract have been substantially performed. Discounts earned by customers are recognized as a reduction of net sales at the time of sale. Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased. However, for certain products or services, such as the sale of Insurances and customized photo books, we act as an agent and record the amount of commission income as net sales. Net sales exclude value-added taxes.
- **Cost of sales:** We define cost of sales as the purchase price of products sold and other costs incurred in bringing inventories to their present location and condition. These costs include costs of purchasing, styling, quality control, storing, rent, salaries and transporting products to the extent it relates to bringing inventory to its present location and condition. Of these costs, depreciation costs are partially allocated to inventory, but are recorded as depreciation, and not cost of sales, when the inventory is sold.
- **Gross profit:** We define gross profit as net sales less cost of sales.

Non-IFRS Sales Measures

In this offering memorandum, we present certain sales measures that are not recognized by IFRS, would not be permitted to appear on the face of the primary financial statements or footnotes thereto and may not be permitted to be included in filings under the U.S. Securities Act. These sales measures are used internally for benchmarking performance both between our own operations and as against other companies. They are based upon management estimates of the gross sales of our directly owned stores, franchised stores and home delivered online sales. They are based upon information derived from our internal management systems and not from our financial reporting systems. Consequently, they have not been the subject of external audit and should not be relied upon as indicators of our reported sales performance (gross or net), sales growth (gross or net) or underlying financial performance. Different companies and analysts may calculate these measures differently, so making comparisons among companies on the basis of these measures should be done very carefully.

The following are the primary non-IFRS sales measures that are used in this offering memorandum:

- **Internet or e-commerce sales:** We define internet or e-commerce sales as consumer sales in respect of the transactions that take place on our e-commerce platform, independent of the delivery model (including, e.g., click-and-collect sales (where orders placed online are collected in store)). This means that for certain products for which we act as an agent, such as Insurances, the internet sales equal the premium the customer pays to the insurance company through us. On an IFRS basis, we only record the commission we receive on the premium.
- **Consumer sales:** We define consumer sales as sales registered on our cash register systems for directly owned and franchised stores. This means that for certain products for which we act as an agent, such as Insurances, the consumer sales equal the premium the customer pays to the insurance company through us. On an IFRS basis we only record the commission we receive on the premium.
- **Like-for-like sales:** We define like-for-like sales as year-on-year percentage growth of the gross sales of our stores that have been open for the entire two-fiscal year period under review, including gross sales in respect of products ordered online and picked up in stores, items ordered online for home delivery, and deliveries from our bakeries to third parties. Gross sales for directly-owned stores represent the total sales transactions registered in our point of sale systems and are based on actual prices charged to customers. Gross sales for franchise stores represent the value of products we deliver to our

franchise stores, where the value of a product is the actual retail price of the product in our point of sale system at the time it is delivered to our franchise store. Gross sales for the purpose of determining Like-for-like sales also includes commission we receive on Insurances which we provide as an agent and the full sale price of other products we sell on behalf of third parties such as vouchers, which is different from the treatment of sales of such products under IFRS. Gross sales for both directly-owned stores and for franchise stores include VAT which is 6% in respect of food and 21% in respect of virtually all other products and services (increased from 19% on October 1, 2012). Like-for-like sales information is based upon information from our internal management systems and not from our financial reporting systems and is unaudited. Different companies and analysts may calculate like-for-like sales differently, so making comparisons among companies on this basis should be done very carefully. Like-for-like sales is not a measure of performance under IFRS and should not be considered in isolation or construed as a substitute for net sales, operating profit or gross profit as an indicator of our operations in accordance with IFRS.

Other Non-IFRS Measures

In this offering memorandum we present certain financial measures and related ratios that are not recognized by IFRS and may not be permitted to appear on the face of the primary financial statements or footnotes thereto or be included in filings under the U.S. Securities Act.

The following are the primary non-IFRS financial measures that are used in this offering memorandum:

- **EBITDA:** We define EBITDA as operating income plus depreciation, amortization and impairments.
- **EBITDAR:** We define EBITDAR as our EBITDA plus annual costs of our operating leases from continuing operations.
- **Adjusted EBITDA:** We define Adjusted EBITDA as EBITDA plus pre-opening costs, defined as salary costs incurred with respect to new stores prior to such stores' respective opening dates plus rent in respect of new stores incurred prior to such stores' respective opening dates, plus an annual oversight fee, which refers to the annual fee for the services provided by Lion Capital to the Company under a monitoring and oversight agreement (see "*Description of Certain Related Party Transactions—Monitoring and Oversight Agreement*") plus certain advisory fees incurred in Fiscal Year 2011 in respect of an aborted transaction.
- **Pro forma Adjusted EBITDA:** We define *Pro forma* Adjusted EBITDA as Adjusted EBITDA, plus €7.3 million of estimated future annual cost savings attributable to the implementation of the head office restructuring completed in early 2014, which does not include consultancy fees or restructuring costs associated with such cost savings.
- **Net borrowings:** We define net borrowings as the Company's total third party borrowings (excluding unamortized finance costs) plus financial lease liabilities, less cash and cash equivalents.
- **Free cash flow:** We define free cash flow as EBITDA plus or minus the applicable change in working capital minus capital expenditures.
- **Cash flow conversion:** We define cash flow conversion as the percentage ratio of free cash flow to EBITDA.
- **Gross profit margin:** We define Gross profit margin as the percentage ratio of gross profit to net sales.

We use EBITDA, EBITDAR, Adjusted EBITDA, *Pro forma* Adjusted EBITDA, net borrowings, free cash flow and cash flow conversion as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. These measures are used, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performance of our business. We believe EBITDA-based and other measures are useful and commonly used measures of financial performance in addition to gross profit, operating profit and other profitability measures under IFRS because they facilitate operating performance comparisons from period to period and company to company. By eliminating potential differences in results of operations between periods or companies caused by factors such as depreciation and amortization methods, historic cost and age of assets, financing and capital structures and taxation positions or regimes, we believe EBITDA-based and other measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons,

we believe EBITDA-based and other measures are regularly used by the investment community as a means of comparison of companies in our industry.

Different companies and analysts may calculate EBITDA-based and other measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based and other measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or gross profit as an indicator of our operations in accordance with IFRS. EBITDA-based measures have limitations as analytical tools. Some of these limitations include the following: (i) they do not reflect our capital expenditures or capitalized product development costs, our future requirements for capital expenditures or our contractual commitments, (ii) they do not reflect changes in, or cash requirements for, our working capital needs, (iii) they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt and (iv) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA-based measures do not reflect any cash requirements that would be required for such replacements.

EBITDA as presented in this offering memorandum differs from the definition of “Consolidated EBITDA” that is contained in the Indentures.

Non-Financial Operating Data

Certain key performance indicators and other non-financial operating data included in this offering memorandum are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

Currency Presentation

In this offering memorandum, unless otherwise indicated, all references to “Euro” and “€” are to the single currency of the Member States of the European Union participating in European Monetary Union. Unless otherwise indicated, financial information relating to HEMA is presented in Euro.

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the period end, average, high and low Bloomberg Composite Rate (New York) expressed as U.S. Dollars per €1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Neither the Issuers nor the Initial Purchasers make any representation that the Euro or U.S. Dollar amounts referred to in this offering memorandum have been, could have been or could, in the future, be converted into U.S. Dollars or Euros, as the case may be, at any particular rate, if at all.

<u>(expressed as U.S. Dollars per €1.00)</u>	<u>Period end</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>
Year				
2009	1.4326	1.3953	1.5134	1.2531
2010	1.3387	1.3210	1.4513	1.1923
2011	1.2959	1.3982	1.4830	1.2907
2012	1.3192	1.2909	1.3458	1.2061
2013	1.3743	1.3300	1.3804	1.2780
2014 (through May 2014)	1.3634	1.3712	1.3932	1.3488
	<u>Period end</u>	<u>Average⁽²⁾</u>	<u>High</u>	<u>Low</u>
Month				
October 2013	1.3583	1.3639	1.3804	1.3520
November 2013	1.3591	1.3497	1.3606	1.3367
December 2013	1.3743	1.3703	1.3803	1.3542
January 2014	1.3488	1.3623	1.3763	1.3488
February 2014	1.3802	1.3670	1.3802	1.3519
March 2014	1.3770	1.3826	1.3932	1.3733
April 2014	1.3867	1.3811	1.3886	1.3705
May 2014	1.3634	1.3733	1.3927	1.3591

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

(2) The average of the exchange rates on each business day during the relevant period.

On May 30, 2014, the Bloomberg Composite Rate between the Euro and the U.S. Dollar was \$1.3634 per €1.00.

The above rates may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this offering memorandum.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. The summary below does not contain all the information that you should consider before investing in the Notes. You should read the entire offering memorandum carefully, including our consolidated financial statements and the notes thereto, before making an investment decision. See “Risk Factors” for certain factors that you should consider before investing in the Notes.

Overview

We are a general merchandise retailer active in the Netherlands, Belgium, Luxembourg, France and Germany, with a recent expansion into Spain and a planned expansion into the United Kingdom in the summer of 2014. We design, market, sell and distribute our products through our own stores, our network of branded franchise stores and our e-commerce platforms (including mobile and tablet applications). Our products feature original and contemporary design and substantially all are HEMA branded. We offer an extensive range of products from everyday basic household necessities and a limited food assortment to affordable non-discretionary items, including cosmetics, stationery, basic ladies and menswear, babywear, towels and “impulse-driven” purchases. Our products present limited fashion risk due to their simple and timeless design.

Our value proposition is to provide our customers with a combination of quality, price, design and reliability, which we believe is unmatched in the market, and an exciting and original shopping experience, making us a key destination for household shopping. Our customers value this approach, as demonstrated by high levels of customer loyalty and our high percentage of repeat customers. We aim to be less expensive than department stores and to offer better quality products, a broader assortment and a better shopping experience than any discount retail company. Our product offering is very broad, but with a high degree of pre-selection and distinctive design within each category. We have been serving Dutch consumers since 1926, underpinned by our strong brand image and our approach of “making the ordinary extraordinary.” As a result of our longevity and the quality of our offering, the Dutch population frequently refers to us as a “Dutch institution.” In the Netherlands and Belgium, we enjoy near universal brand awareness (100% and 97%, respectively) among customers across all age and income categories. According to a third-party survey, 85% of Dutch consumers shopped at HEMA at least twice in 2013 and we consistently rank highest in consumer surveys in key shopping criteria such as quality, design and service.

Our products are currently sold through our network of 674 stores, with an average of almost six million customers visiting our stores on a weekly basis, and through our growing internet sales platform, with almost 67 million online visits in Fiscal Year 2013. Beyond our core markets, we have expanded our network of stores into other European countries, particularly in France, where we have achieved critical mass, demonstrating the extendibility of the HEMA brand and the viability of both our international retail concept and expansion strategy. We are continuing our expansion internationally, including into Spain, where we opened our first store in April 2014, and into the United Kingdom, where we expect to open our first stores in the summer of 2014. To supplement our physical stores, we market and sell substantially all the products that we offer in our stores, other than most of our food products, through our fully transactional websites (including on mobile and tablet applications). Our multiple sales and distribution channels allow us to reach our customers wherever and however they want to shop.

Our Pro forma Adjusted EBITDA (as defined herein) was €127.8 million in Fiscal Year 2013. Despite two significant macroeconomic downturns in our core markets, particularly in the Netherlands, we grew net sales from €1,049.1 million in Fiscal Year 2008 to €1,091.3 million in Fiscal Year 2013 and grew gross profit as a percentage of net sales by 330 basis points from 42.7% of net sales to 46.0% of net sales over the same period. Further, since Fiscal Year 2008 we have maintained or improved our market position in many of our core product categories despite competition from discount retail companies and other competitors. We believe that we have achieved this because we bring together a combination of competitive strengths that differentiates us from other retailers. We offer a complete value proposition consisting of quality, price, design and reliability, an exciting, original and consistent shopping experience, and an extensive portfolio of prime locations in the Benelux that is difficult for our competitors to replicate. In addition, we have increased free cash flow from €59.0 million in Fiscal Year 2011 to €81.1 million in Fiscal Year 2013 while undertaking and completing a substantial store refurbishment program across our 40 largest stores in the Netherlands to further strengthen our store portfolio. Given improvements in Dutch consumer confidence in recent months, we believe we will experience an improvement in our Dutch retail sales in the near

future. We are currently focused on driving profit growth through a number of cost savings and margin initiatives, which, once fully implemented, we estimate will generate approximately €21 million in annual run-rate savings (including €7.3 million of annual cost savings attributable to the head office restructuring completed in early 2014).

We have four product divisions (apparel, household goods & personal care, food & catering and services & other) divided into different units and categories. Across these divisions, we carry approximately 180 product groups and an annual total of approximately 30,000 SKUs, with up to 17,000 SKUs in-store at any one time depending on the store format. Our product divisions are as follows:

- **Apparel** (€376.7 million net sales in Fiscal Year 2013, representing 34.5% of our total net sales). This product division comprises ladies and menswear, baby and children's wear, bodywear, legwear and fashion accessories. As of December 31, 2013, we were the market leaders, measured by consumer sales, in babywear, bodywear and legwear in the Netherlands.
- **Household Goods & Personal Care** (€369.9 million net sales in Fiscal Year 2013, representing 33.9% of our total net sales). This product division comprises household articles, home and bath textiles, living items, do-it-yourself and recreational products, stationery, seasonal products, toys and personal care items, including cosmetics. As of December 31, 2013, we were the market leaders, measured by consumer sales, in bath textiles and among the leading retailers of cosmetics in the Netherlands.
- **Food & Catering** (€286.9 million net sales in Fiscal Year 2013, representing 26.3% of our total net sales). This product division comprises catering, wine, pastry, sweets and convenience food products. As of December 31, 2013, we were among the leading retailers of fresh pastry in the Netherlands measured by consumer sales.
- **Services & Other** (€57.8 million net sales in Fiscal Year 2013, representing 5.3% of our total net sales). This product division comprises specialized and customized products and services, such as Insurances and notary services sold through our e-commerce platform and photo prints and albums sold online and in our stores. As of December 31, 2013, we were the market leaders, measured by consumer sales, in photo prints and albums in the Netherlands.

We market and sell our products through our own stores, our network of branded franchise stores and online. As of the end of the first quarter of Fiscal Year 2014, we operated a total of 674 stores, comprising 529 stores in the Netherlands, 101 stores in Belgium and Luxembourg, 33 stores in France, 10 stores in Germany and one store in Spain. Of these stores, approximately 61% are directly operated and 39% are franchised, with all our franchise stores located in the Netherlands. Our stores are classified into eight formats in terms of size and assortment depending on location, catchment area and customer profile, and are positioned in prime retail locations with high footfall. Our store sizes currently range from 17 square meters to approximately 3,500 square meters and carry between 3,000 and 17,000 SKUs at any one time depending on store format. Our internet business, launched in 2001, has grown rapidly across product categories and geographies and is highly frequented, with almost 67 million visitors in Fiscal Year 2013.

Our integrated and flexible business model encompasses in-house design, purchasing and merchandising departments, along with an in-house logistics and distribution division fully aligned to serve our entire store network and e-commerce operations. Our in-house design team develops concepts for our HEMA-branded product lines and, with the occasional support of freelance and third party designers, supervises their implementation through the design and sourcing of new or improved products. The products are then manufactured by our worldwide suppliers and purchased, merchandised and marketed by our in-house teams. The distribution of our products begins in our two distribution centers in Utrecht (Lage Weide), and is carried out by our own fleet and employees to our own stores and franchisees (except for the distribution of non-bakery food products and the home delivery of products sold on our e-commerce platform, which are carried out by specialized third parties).

Our Strengths

We believe that our strong position in the retail market results from the following principal strengths:

Leading Market Positions in the Benelux

We occupy a distinctive position in our core Benelux markets due to the broad range of products we offer. In the Netherlands, as of December 31, 2013, we were the market leaders by value of consumer sales in babywear, bodywear, legwear, bath textiles and photo prints and albums and among the leading retailers of

cosmetics and fresh pastry. We estimate that in Fiscal Year 2013, we provided one out of three children's underwear and babies' bodysuits, one out of four towels, one out of four ladies' legwear, one out of five nail polishes and one out of five men's pajamas to consumers in the Netherlands, and sold 1.7 million fitted sheets, 7.2 million sausages and 6.1 million "Tompouces", our specialty pastries, all HEMA-branded.

We have maintained or improved our market position in many of our core product categories since Fiscal Year 2008, notwithstanding significant store space expansion by our competitors (including discount retail companies) and a challenging macroeconomic environment. We also achieved one of the highest sales densities among our Dutch non-food retail peers in 2013. We believe that our leading market positions are the key to achieving profitability and maintaining a competitive advantage because, as market leaders, we are better able to leverage our scale in negotiating price terms with our suppliers and distribute our products throughout our store network in a more cost-efficient manner.

Our stores are classified into eight formats depending on their size, location and catchment area and are positioned in prime retail locations with high footfall. Due to the limited availability of these types of locations and the strict planning regulations in the Benelux countries, our portfolio of prime locations is difficult for competitors to replicate and reinforces our leading position in these markets. We believe that our positioning, and the fact that we often serve as anchor tenants in our locations, make us an attractive tenant to landlords and provide substantial leverage in negotiating and securing current and future rental agreements.

In 2013, the Dutch retail market was valued at approximately €91 billion, with the food retail market representing €42 billion and the non-food retail market representing €49 billion. On a per capita basis, the Dutch market is comparable with other Western European markets with a sizable e-commerce channel. The Dutch retail market is marked by a diversified landscape across international chains, national retail icons and localized retailers. Since 2008, the Dutch retail market has faced significant challenges, with declining GDP, rising unemployment and a decline in the housing market, leading to low levels of consumer confidence and depressed consumer spending. Overall value sales have come under pressure from a combination of reduced high street traffic limiting transaction volumes and price conscious consumers trading down. The housing market can also affect our business, as sales of household goods benefit from housing moves and renovations, which tend to decline in weak housing markets. However, recent economic indicators are showing a positive trend and pointing to a recovery. Following improvement in consumer confidence in the last two quarters, GDP growth is expected to turn positive in 2014, and unemployment rates are set to decrease, which should result in disposable income growth and an improved outlook for the overall Dutch economy. See "*Industry—Overview*." We believe we are in a strong position to increase our like-for-like sales with the upturn of the market, considering our leading position in our core markets and stable market share throughout the recent economic challenges.

Iconic Brand with Significant Brand Awareness and Loyalty

The HEMA brand, which promises to "make the ordinary extraordinary", is distinctive and trusted in the Benelux. With over 85 years of history, we have grown to enjoy near universal brand awareness in the Netherlands and Belgium (100% and 97%, respectively). As a result of our longevity and the quality of our offering, Dutch consumers frequently refer to us as a "Dutch Institution" and 85% of Dutch consumers shopped at HEMA at least twice in 2013. Based on a recent customer survey in the Netherlands, we polled as the leader among retailers for the quality, style and range of our products, and polled as the second highest retailer for attractive prices. Substantially all our products are HEMA-branded and we believe our brand has strong appeal across the Dutch population, and has demonstrated our increasing ability to attract French consumers. The income, age and gender distribution of our customers mirrors that of the Dutch population and the universal appeal of our brand across the Benelux has allowed us to expand into new product categories as well as establish new store formats, resulting in a broadened addressable market.

Supported by our distinctive and iconic brand, we seek to differentiate HEMA from our competitors by offering an attractive combination of quality, price, design and reliability in all our products. Surveys show that customers value this approach, choosing us over our competitors, because of the quality, style, diversity and value of our product offering, which has resulted in high levels of customer loyalty and repeat customers. We aim to deliver a consistent customer experience that reinforces our brand promise and increases sales through positive perceptions of design, selection and value. We offer products at a carefully calibrated mix of price points within each of our product categories in order to attract and maintain loyal customers across all income demographics, and to effectively compete with both discount and higher-end retailers. Our in-house team designs the concept of our HEMA branded products and works

collaboratively with our in-house purchasing, merchandising and marketing teams and suppliers to ensure that the promise of our brand is delivered across our entire range of products.

We have received several awards for the strength of our brand in the Dutch retail market. For example, an independent survey prepared by EURIB (European Institute for Brand Management) recognized us for the sixth consecutive year as the most indispensable brand in the Netherlands, which was based on responses of thousands of consumers who were asked which particular brand in their market they would miss the most. We also received the 2013 Customer Centric DNA Award in the retail category for our commitment to modern, high-quality products, comprehensive design proposition and highly affordable prices; two 2013 VROUW Awards by De Telegraaf, in the website and living categories, an award set up for products and retailers that improve the lives of women; the award of best chain store for baby and children's fashion during the ABN AMRO Best Chain Store Event 2013; and the 2014 Nationale Thuiswinkel Award for best webshop in finance & personal services. Our iconic position was also recognized by the honorable visit of Her Majesty Queen Máxima of the Netherlands on October 1, 2013 to one of HEMA's distribution centers to officially open a three-day national event on pension matters, as well as by the launch of "HEMA the Musical" in Dutch theatres.

Diversified Business Across our Operations

Our business is diversified across our operations. Within the Netherlands, where the majority of our stores are currently located, we have developed six formats for our stores. These stores range from large established flagships and destination stores, to medium-sized stores in suburban shopping centers and high streets, to local and smaller convenience stores in high-traffic locations. Our international stores follow two formats, one specifically designed for our stores in Luxembourg and Belgium, and the other, our "HEMA International" or "HINT" concept, designed specifically for our stores in Germany, France and for our further international expansion into Spain and the United Kingdom. Our formats and store locations are designed to address a range of different catchment areas and customer profiles, including town centers, smaller suburbs and some larger retail parks. It is through this multi-format approach that we reach our customers wherever it is they want to shop on any particular day.

This range of store formats is complemented by the diversity of our product offering, with HEMA representing a destination store for non-discretionary necessities, including basic apparel for all ages, household goods & personal care items, baked goods and convenience foods and services, as well as a range of impulse purchases. We believe that the variety of our product offering attracts significant customer footfall, generating sales across all our product categories. The diversity of our products offered, and the protection from fashion risk provided by the simple and timeless design of our products, help reduce our exposure to the cyclical nature of specific categories within the retail market.

Our stores are conveniently located and are designed to offer our customers an enjoyable shopping experience. As of the end of the first quarter of Fiscal Year 2014, our store network comprised 674 stores, with a total selling space of approximately 471,000 sqm. We estimate that on average almost six million customers visit a HEMA store every week. In Fiscal Year 2013, we estimate that we had almost 367 million total customer visits, comprised of approximately 300 million visits to our HEMA stores and almost 67 million visits to our HEMA e-commerce websites.

We market and sell our products through our own stores in all countries in which we operate, a significant number of franchise-operated stores in the Netherlands and a growing e-commerce platform across products and geographies. Through these multiple channels, we can cater to a variety of consumer shopping preferences and better reach customers wherever they want to shop. In addition, our investments into mobile and tablet applications allow HEMA to continue to adapt to changing consumer preferences.

Outside our core markets of the Benelux, we have achieved geographical diversity through our stores in Germany, our strong presence in France, and our expansion into Spain, where we recently opened our first store, and into the United Kingdom, where we intend to open our first stores in the summer of 2014. Our plans for further expansion, particularly in France, Spain and the United Kingdom, will strengthen our geographic diversification and further protect our overall business from macroeconomic conditions in any individual country.

Differentiated Retail Proposition with Extensive Product Offering

We offer an extensive collection of products from everyday basic non-discretionary necessities to affordable impulse-driven purchases, and focus on providing a great combination of quality, price, design

and reliability. We aim to be less expensive than department stores and to offer better quality products, a broader assortment and a better shopping experience than any discount retail company. Our product offering is very broad, but with a high degree of pre-selection and distinctive design within each category. Our in-house design team develops concepts for our HEMA-branded product lines and, with the occasional support of freelance and third party designers, supervises their implementation through the design and sourcing of new or improved products. This allows us to fully manage quality control and product innovation, consistent with our brand positioning, and helps differentiate us from our competitors. Our product range comprises a variety of discretionary and non-discretionary apparel and household goods & personal care products, complemented by our food & catering and services offerings. We aspire to offer great value-for-money to our customers. Our price positioning, combined with the consistency and quality of our offerings across our products, has enabled us to maintain or grow our leading market position within many of our core product categories. As a result, we have become a destination store for essential family necessities. Our approach has enabled us to deliver strong net sales performance despite the recent challenging macroeconomic conditions.

Significant e-Commerce Presence

In recent years, we have developed a significant e-commerce presence, with almost 67 million online visits and €170 million in internet sales in Fiscal Year 2013. In addition, our investments into mobile and tablets applications has allowed HEMA to continue to adapt to changing consumer preferences and to better reach consumers wherever they want to shop. Our e-commerce platform received the 2013 VROUW Award by the De Telegraaf; the 2013 Esprix Award for our influence on the behavior of consumers; and the 2014 Nationale Thuiswinkel Award for best webshop in finance & personal services.

We have grown our internet sales from €83 million in Fiscal Year 2009 to €170 million in Fiscal Year 2013, representing a compound annual growth rate of 19.6%. We have invested in our e-commerce platform by developing websites with online ordering capabilities in each of the countries in which we operate, as well as through investing in a separate distribution center for our e-commerce operations to facilitate expansion, which benefits from full connectivity with our main distribution center. Through our e-commerce platform, we offer nearly the full range of SKUs available in our stores, other than most food products. Certain additional products and services, such as Insurances, notary services and personalized photography items, are only available online.

Approximately 69% of the products purchased in the Netherlands on our e-commerce platform were collected in store instead of delivered directly to the customer. This generates additional footfall for our stores and our franchisee stores, and creates opportunities for cross-selling while at the same time improving the profitability of our online business as it is less costly to fulfill orders that are picked up in our stores versus orders delivered directly to our customers. We have also leveraged our online presence to strengthen our brand identity and awareness internationally. By enabling customers in regions where we do not currently have a significant physical presence to purchase our goods conveniently online, we can develop a loyal HEMA customer base prior to the arrival of new stores in our growing markets. Additionally, we have entered into arrangements to offer HEMA products in France on Amazon France and LaRedoute as a way to increase brand awareness in international markets.

Strong Asset Base Benefitting from Recent Investments

We have recently made significant investments in our business. We have invested approximately €197.2 million in store refurbishment and other capital expenditure investments between Fiscal Years 2011 and 2013. Additionally, since the beginning of 2007, we have opened over 35% of our 529 stores in the Netherlands. We have improved our supply chain through automation and the expansion of our main distribution center to enhance integration and serve a significantly growing number of stores efficiently, and, in 2012 and 2013, have completed the refurbishment of 40 of our largest stores in the Netherlands. As a result, we believe we have a well-invested asset base which will support the expansion of our business with moderate capital expenditure requirements over the medium-term. Capital expenditures in Fiscal Year 2013 were €60 million and we expect capital expenditures in Fiscal Year 2014 will be approximately €40 million.

We operate an integrated supply chain that encompasses an in-house design team, purchasing and merchandising departments and a logistics and distribution division. We have two fully-integrated distribution centers in the Netherlands, located in Utrecht (Lage Weide). One distribution center serves our entire store network, while the other (a modern distribution center established in 2011) exclusively

serves our e-commerce operations. Both our directly operated stores and franchise stores are fully integrated with our supply chain, which allows for both optimal efficiency and monitoring. Our in-house design team is dedicated to the development of new product line concepts for our HEMA-branded product lines with an original and contemporary design which can be offered at attractive prices. The products are then manufactured by our suppliers in Europe, the Middle East and the Far East and merchandised and marketed by our in-house teams. Our design team works in close collaboration with our in-house purchasers and merchandising specialists to ensure that any new designs or refinements to existing products are deliverable at the appropriate cost in a seamless and efficient process.

Our supply chain has recently undergone significant improvements which have greatly enhanced the quality of support to our business. Our distribution centers are highly automated and our processes and equipment are modern and sophisticated, and deliver a high standard of operation. For example, store deliveries are picked and prepared in our main distribution center with nearly 100% accuracy. As a result, stores no longer need to check the accuracy of deliveries, which improves in-store productivity. In addition, store deliveries are packed in line with the layout of the individual store to facilitate the stocking process. Furthermore, we have implemented a modern forecast and supply chain management system. Through this system, we are able to track and forecast daily demand for each SKU in each store for the next twelve months, based on trading data from the past four years. These forecasts allow us to fine-tune the availability of our products on a store-by-store basis to more precisely meet customer demand, calculate lost sales due to stock-outs and better avoid similar lost sales in the future. They also support the development of more flexible ordering and delivery facilities in conjunction with our e-commerce platform. The system is integrated throughout our supply chain. Each demand forecast flows backwards through the supply chain and ultimately supports the design and purchasing decisions. We have also introduced workforce management systems that manage staffing levels on the basis of the in-store activities to be performed at any particular time, rather than plan the activities to be performed on the basis of staff available at such time.

We have invested in an extensive store refurbishment program which will position us for like-for-like sales growth. The completion of this refurbishment program has allowed us to present our products in more exciting and organized ways which showcase new stock, and also support our in-store pickup and delivery options. Our refurbished stores more closely reflect our brand identity and make the HEMA shopping experience easier and more pleasurable for consumers. In 2012 and 2013, we implemented our refurbishment program through refitting our approximately 40 largest stores in the Netherlands in order to enhance the HEMA customer experience. The key elements of the refurbishment program were renovations and expansions, improving layout, introducing new presentations, optimizing “impulse alleys” and enhancing the ambience of our stores. With this significant investment in our brand and our stores, we believe we are well-positioned to increase like-for-like sales and profitability growth in our existing stores without the need for significant capital expenditures in the near future.

Long-term Record of Growth and Cash Generation

We have generated strong cash flow throughout the economic downturn, and have achieved an average cash flow conversion of 64% between Fiscal Year 2008 and Fiscal Year 2013. For Fiscal Years 2011, 2012 and 2013, our free cash flow was €59.0 million, €82.3 million and €81.1 million, respectively, despite undertaking our substantial store refurbishment program. We have demonstrated our ability to consistently expand our business. We have increased net sales from €1,049.1 million in Fiscal Year 2008 to €1,091.3 million in Fiscal Year 2013 and have increased our gross profit margin by 330 basis points, from 42.7% to 46.0%, over the same period. While our results declined in Fiscal Year 2013, this reflected the difficult conditions in the Dutch non-retail food sector, as well as efforts by us to retain our margins and not match the more aggressive and, we believe, unsustainable levels of discounting by some of our competitors. We believe we are now well positioned to benefit from improvements in the Dutch economy, with consumer confidence improving in 2014 and our store refurbishment program completed.

From Fiscal Year 2008 to Fiscal Year 2013, we maintained capital expenditures and brand investment at levels we believe will significantly benefit future revenue growth and profitability, while simultaneously enabling us to reduce debt and deleverage. We have a history of deleveraging, and have been able to use operating cashflow to delever from publicly reported net borrowings to Adjusted EBITDA of 7.8x as of July 5, 2007 to net borrowings to pro forma Adjusted EBITDA of 4.8x as of February 2, 2014. Our management's current target is to further delever to a ratio of net borrowings to pro forma Adjusted EBITDA of 4.0x in the medium term. This target is subject to risks and uncertainties. We may not achieve this target, and our actual results may materially differ from targeted performance.

Highly Talented and Experienced Management Team

We have a highly talented, experienced and focused management team that has a demonstrated ability to improve our business. The members of our management team have significant industry and technical knowledge with over 115 years of combined experience in the retail industry. In addition, the broader operations team reporting to senior management has been with HEMA for an average of 6.4 years. Ronald van Zetten has been our CEO since 2003, and was the CEO of HEMA in Belgium from 1995 to 1998. He has implemented a number of successful initiatives that have improved our results and overall performance and has successfully navigated a challenging macroeconomic environment. Ad Walter, our CFO, brings over 20 years of retail experience, including as CFO and CEO of Praxis Group, a leading Dutch do-it-yourself company. Our management team is highly incentivized with a strong focus on increasing profitability and cash generation. We believe that the collective industry knowledge and leadership of our management team and their record of accomplishment in the industry will enable them to continue to execute our strategy effectively and deliver strong financial results in the future. We also benefit from the extensive market experience and strong track record of our principal shareholder, Lion Capital, which focuses its investment strategy on consumer-retail businesses, and from Lion Capital's support of our strategic direction and expansion plans.

Our Strategies

Our objective is profitable top-line growth both in existing markets and in new markets that will position us to take advantage of a recovery in the Dutch retail market. We plan to achieve this objective by:

Optimizing our Brand and Differentiated Customer Proposition to Leverage the Upcoming Recovery of the Dutch Economy

We intend to develop our brand further by building on our differentiated customer proposition as a leading general merchandise retailer of everyday products based on our brand promise of “making the ordinary extraordinary.” Our brand proposition serves a broad range of customers varying in age, taste and income levels. One of our key priorities is to have our in-house buying, merchandising and design teams leverage our responsive and efficient supply chain to quickly and continually bring stylish products at attractive prices to our customers, and to ensure there will be new and exciting products each time they visit us. We aim to ensure that our in-house buying, merchandising and design teams fully embrace and maintain a disciplined and rigorous approach in their buying decisions, so that each new product is aligned with our brand identity. Building on this framework, we will continue to develop and expand selected product ranges to meet changes in demand and evolving consumer preferences. For example, we believe there is opportunity for us to increase our penetration in established markets in key product categories such as beauty & underwear. We also aim to maximize footfall, particularly during earlier hours, through expansion of our famous €1 breakfast in our store cafeterias.

We plan to further expand our business in our core markets while reducing our level of investment versus the last two years by focusing on sales initiatives to increase our like-for-like sales, including better in-store merchandise, SKU rationalization and the introduction of new product categories and food items. We will also continuously work to identify and capitalize on new opportunities for growth, both in our existing product portfolio and beyond. Our HEMA Beauty offering, which offers a distinctive cosmetics retail experience delivered through an inspirational in-store environment, is now in 111 of our existing stores in the Benelux and France and starting in autumn 2014, we plan to introduce HEMA Beauty to more of our existing stores. We also plan to offer gift assortments in our stores so as to strengthen our position as a year-round-stop shop for gifts. Furthermore, we are constantly refining our store formats to address our four areas of focus: value, experience, convenience and sustainability, with initiatives, including promoting impulse purchases at low prices at check out, organizing stores for easy navigation, implementing inspiring product presentations and more exciting shopping routes and providing explanations about the origin of our products. As part of our broader promotion strategy, we are also aiming to increase connectivity with our customers through brochures and in-store specials. We believe our extensive store network in the Netherlands, Belgium and Luxembourg, our presence in Germany, our increasing international presence in other markets such as France, Spain and the United Kingdom, and our expanding e-commerce capabilities (including mobile and tablet applications) will reinforce future market growth and leadership.

Increasing Sales Through International Expansion

We will continue to implement an international multi-channel strategy to further diversify our geographic positioning and deliver increased profits outside of our core markets of the Netherlands, Belgium and Luxembourg. We intend to increase sales in our international markets through the continued rollout of our existing formats and the introduction of new formats.

France is the focus of our immediate international expansion plans, with approximately 15 new stores planned in Fiscal Year 2014, with a similar planned expansion rate over the next several Fiscal Years. Our French stores have sales densities in line with our best performing Dutch stores and have demonstrated strong EBITDA performance. Like-for-like sales performance in France has been strong, growing 10.8%, 10.6% and 7.7% in Fiscal Years 2011, 2012 and 2013, respectively. New non-pilot French stores have an estimated payback period of 2.1 years, on average, and all our non-pilot French stores have generated positive EBITDA since opening. We intend to maintain our long-standing presence in Belgium and Luxembourg and our newly-remodeled stores in Germany and to expand our presence in Spain and the United Kingdom. We opened our first store in Spain in April 2014, and have planned our first three store openings in the United Kingdom for the summer of 2014. We have aligned our proposition, both in terms of product offering and format, to account for differences in consumer preferences in these different countries. For example, in France we offer approximately 6,000 SKUs (instead of up to 17,000 SKUs offered in Dutch stores at any one time) with more products focused on household goods & personal care categories. The existing international stores have been re-modeled and all new international stores will be modeled according to our HEMA International (“*HINT*”) concept, a variation of the conventional formats in the Benelux. The *HINT* format carries substantially fewer SKUs, including no fresh food offering and less apparel, with products categorized and grouped together by reference to their category (i.e., bathroom, kitchen and living room) and displays put in place to direct customers’ attention to specific high volume and inspirational products.

We identify new sites based on a variety of investment criteria, including demographics, proximity to locations of our existing stores and competitors, availability of suitable retail space and local economic conditions. We follow a stringent assessment and selection process guided by predetermined thresholds for the estimated internal rate of return.

Maximizing our Potential in E-Commerce and Multi-Channel Sales

The number of internet users in the Netherlands is projected to reach 96.9% of the population by 2020 and, combined with the growing popularity of smartphones and other web-enabled handheld devices, has the potential to create a new and significant consumer base. Convenience remains a key driver for online shopping followed by the ease of comparing prices and pursuing promotions online. See “*Industry—Market Trends in the Netherlands.*”

We believe that, with almost 67 million visitors to our websites in Fiscal Year 2013, we have a well established and growing e-commerce customer base, supported by our fully transactional website and successful mobile and tablet applications (which already comprise 6% of all our internet sales in Fiscal Year 2013, the first year of operation) and our modern distribution center which exclusively serves our e-commerce operations (while being fully integrated with our main distribution center). Additionally, we have entered into arrangements to offer HEMA products on Amazon France and LaRedoute as a way to increase our brand awareness in international markets. We have grown our internet sales from €83 million in Fiscal Year 2009 to €170 million in Fiscal Year 2013, representing a compound annual growth rate of 19.6%, notwithstanding the global economic downturn during this period and the significant impact this has had in the Netherlands, our core market. We believe this solid infrastructure also allows us to easily expand and adapt our e-commerce platform and overall product offering to further serve our customers and changing consumer preferences.

As one of our sales initiatives, we intend to increase traffic to our e-commerce platform by adding third-party brands with high order values in complementary and growing online categories. We also intend to grow our healthcare Insurance online platform, which already represents a current portfolio of 30,000 paying customers.

Approximately 69% of the products purchased in the Netherlands on our e-commerce platform were collected in-store instead of delivered directly to the customer. This generates additional footfall for our stores and our franchisee stores, and creates opportunities for cross-selling while at the same time improving the profitability of our online business as it is less costly to fulfill orders that are picked up in

store versus orders delivered directly to our customers. We have also leveraged our online presence to strengthen our brand identity and awareness internationally. By enabling customers in regions where we do not have a significant physical presence to purchase our goods conveniently online, we can develop a loyal HEMA customer base prior to the arrival of new stores in our growing markets. Additionally, we have entered into arrangements to offer HEMA products in France on Amazon France and LaRedoute as a way to increase brand awareness in international markets. Based on the above, we believe we can maximize our potential in our e-commerce platform and improve our overall results with our multi-channel offering.

Improving Operating Performance Through Cost Savings and Margin Initiatives

We have increased our focus on cost efficiencies and savings through implementation of initiatives focused on increasing margins and optimizing our resources. A strong operational focus on cost control has been established, and we plan to achieve significant cost efficiencies in Fiscal Year 2014 and beyond, which will enable us to continue to reinvest in our business. We have improved our operational activities, resulting in cost savings and efficiencies at various levels of the business. This includes lowering labor costs at the head office, stores and distribution centers, reorganizing the buying process between buying and merchandising to improve efficiency, improving the quality of deliveries to stores, further inventory optimization and general cost control. For example, we estimate we will achieve approximately €7.3 million of annual cost savings from the restructuring of our head office (without taking into account one-off restructuring costs and related consultancy fees), which has already been completed in Fiscal Year 2014.

We continue to identify further cost savings opportunities which we intend to pursue, including cost savings through centralized buying and renegotiating our supply arrangement. We also expect to derive certain additional cost efficiencies and savings and a focus on tighter inventory management as a means to reduce markdowns. We are also targeting an improvement in labor productivity within our Dutch stores by reducing the number of employee hours. Overall, we estimate that these cost savings and margin initiatives, once fully implemented and together with those we have already undertaken, will generate approximately €21 million in annual run-rate savings (including €7.3 of annual cost savings attributable to the head office restructuring completed in early 2014).

Recent Developments

Based on our preliminary results, we expect net sales for the first quarter of Fiscal Year 2014 to be in line with the prior year period. The trading environment in the Netherlands continues to remain challenging with performance in apparel and household goods under pressure, however macroeconomic indicators are beginning to point to an improvement in consumer sentiment. This is reflected in our like-for-like sales performance for the first quarter of –1.9% which shows an improving trend compared to full-year Fiscal Year 2013 of –5.5%. We achieved this improved performance despite the mild winter in the beginning of the first quarter which affected sales of our cold-weather products. Preliminary sales results for May 2014 show further improvement in like-for-like sales for our directly owned stores, compared to like-for-like sales for our directly operated stores in the first quarter of 2014. May 2014 is a difficult month for comparing sales due to shifts in bank holidays. In our international markets, France continues to perform strongly (approximately 10% like-for-like sales growth in the first quarter of 2014). We have added further five stores in France in the last three months taking our total number of stores in the region to 33 and we remain on track with our international store expansion program. We also recently opened our first store in Spain in April which is performing ahead of sales target.

We expect our gross profit margin for the first quarter to be generally in line with that of the comparative prior year period, on the back of increased supplier contributions and a reduction in product markdowns offset by a higher share of lower margin franchisee sales. We also continue to strictly monitor our costs with year to date operating expenditure in line with the corresponding period in Fiscal Year 2013 despite an increase in the store base. We expect Adjusted EBITDA for the 52-week period ending May 4, 2014 to be broadly in line with Fiscal Year 2013 Adjusted EBITDA.

In February 2014, we announced a restructuring of our head office to streamline the organization and allow better support for future commercial programs. Around 90 full-time employee equivalent (“FTE”) redundancies were made across our head office, bakeries and distribution centers which we estimate will generate €7.3 million of annual run-rate savings. As a result of the restructuring, we also incurred an extraordinary cash expense of €5.1 million in the first quarter (including the effect of accounts payable). We have also reorganized our sourcing process by separating buying and merchandising responsibilities which were previously shared under the company’s former structure. A specialized buying desk has been

implemented with the aim of maximizing buying savings through consolidating suppliers and improving the tendering process going forward. We are also targeting an improvement in labor productivity within our Dutch stores by reducing the number of employee hours. We expect these additional cost and margin initiatives to provide further operational savings in the second half of the year.

The above information is based on preliminary results and is not intended to be a comprehensive statement of our financial or operational results for the period. This information has been prepared by, and is the responsibility of, management and has not been audited, reviewed or verified by PricewaterhouseCoopers Accountants N.V. Our preliminary results are based on a number of assumptions that are subject to inherent uncertainties and subject to change. In addition, our results of operations are affected by seasonality factors. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting our Results of Operations—Seasonality and Weather*” and “*Forward-Looking Statements*.”

The Refinancing

On the Issue Date, the Senior Secured Notes Issuer will issue (i) €250.0 million aggregate principal amount of its Senior Secured Floating Rate Notes due 2019 and (ii) €315.0 million aggregate principal amount of its 6.25% Senior Secured Fixed Rate Notes due 2019; the Senior Notes Issuer will issue €150.0 million aggregate principal amount of its 8.50% Senior Notes due 2019; the Senior Secured Notes Issuer will use the proceeds of the Senior Secured Notes to make the Senior Secured Notes Proceeds Loan to the Company; and the Senior Notes Issuer will use the proceeds of the Senior Notes to make the Senior Notes Proceeds Loan to the Company.

On the Issue Date, the Company will enter into the Revolving Credit Facility Agreement, pursuant to which the Revolving Credit Facility will be made available for drawing in the amount of €80.0 million. Based on our current estimate of our cash flow and operations, we expect to draw on the Revolving Credit Facility on the Issue Date in the amount of €20.0 million due to the seasonality of our business, as we reach a low point in our annual cost cycle in the summer months. We also expect to roll-over approximately €3.3 million in outstanding and undrawn bank guarantees into the Revolving Credit Facility.

On the Issue Date, the Company will use the proceeds of the Senior Secured Notes Proceeds Loan and the Senior Notes Proceeds Loan, together with cash on hand and the drawings under the Revolving Credit Facility, to: (a) prepay in full, and thereby terminate, the Existing Credit Facilities in the amount of €784.3 million; and (b) pay all fees and expenses incurred in connection with the transactions described above and the issuance of the Senior PIK Notes by the Parent, which we estimate will be €18.1 million, including (i) fees, commissions and discounts payable in connection with the issuance of the Notes (ii) fees relating to the Revolving Credit Facility, (iii) professional and legal fees, (iv) financial advisory fees, (v) costs associated with unwinding or amending and extending our existing hedging arrangements and (vi) other transaction costs. Actual fees and expenses may differ from the amount presented.

See “*Use of Proceeds*.”

About the Issuers

The Senior Secured Notes Issuer was incorporated on May 23, 2014, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands and with its principal executive offices at NDSM-straat 10, 1033 SB, Amsterdam, the Netherlands. The Senior Secured Notes Issuer is registered with the Dutch Commercial Register under number 60748656.

The Senior Notes Issuer was incorporated on May 23, 2014, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands and with its principal executive offices at NDSM-straat 10, 1033 SB, Amsterdam, the Netherlands. The Senior Notes Issuer is registered with the Dutch Commercial Register under number 60749512. The Issuers are wholly owned finance subsidiaries of the Parent with no revenue-generating business operations or significant assets other than their interests in the Notes Proceeds Loans.

About the Company

The Company was incorporated in 2004, under the name Lisus B.V. and later HEMA Holdings B.V., as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands and with its corporate seat in Amsterdam, the Netherlands. A different entity named HEMA B.V. was incorporated in 1926. The shares of HEMA B.V. were purchased by the Company in 2007

and, in September 2007, was merged into the Company and ceased to exist. The Company was then renamed HEMA B.V.

The Company is a wholly owned subsidiary of the Parent and has its principal executive offices at NDSM-straat 10, 1033 SB, Amsterdam, the Netherlands, and is registered with the Dutch Commercial Register under number 34215639. The Company's primary purpose is to manage our operations in the Netherlands and to act as a holding company for its subsidiaries, which mainly manage our international operations, commercial bakeries and other services.

About Lion Capital

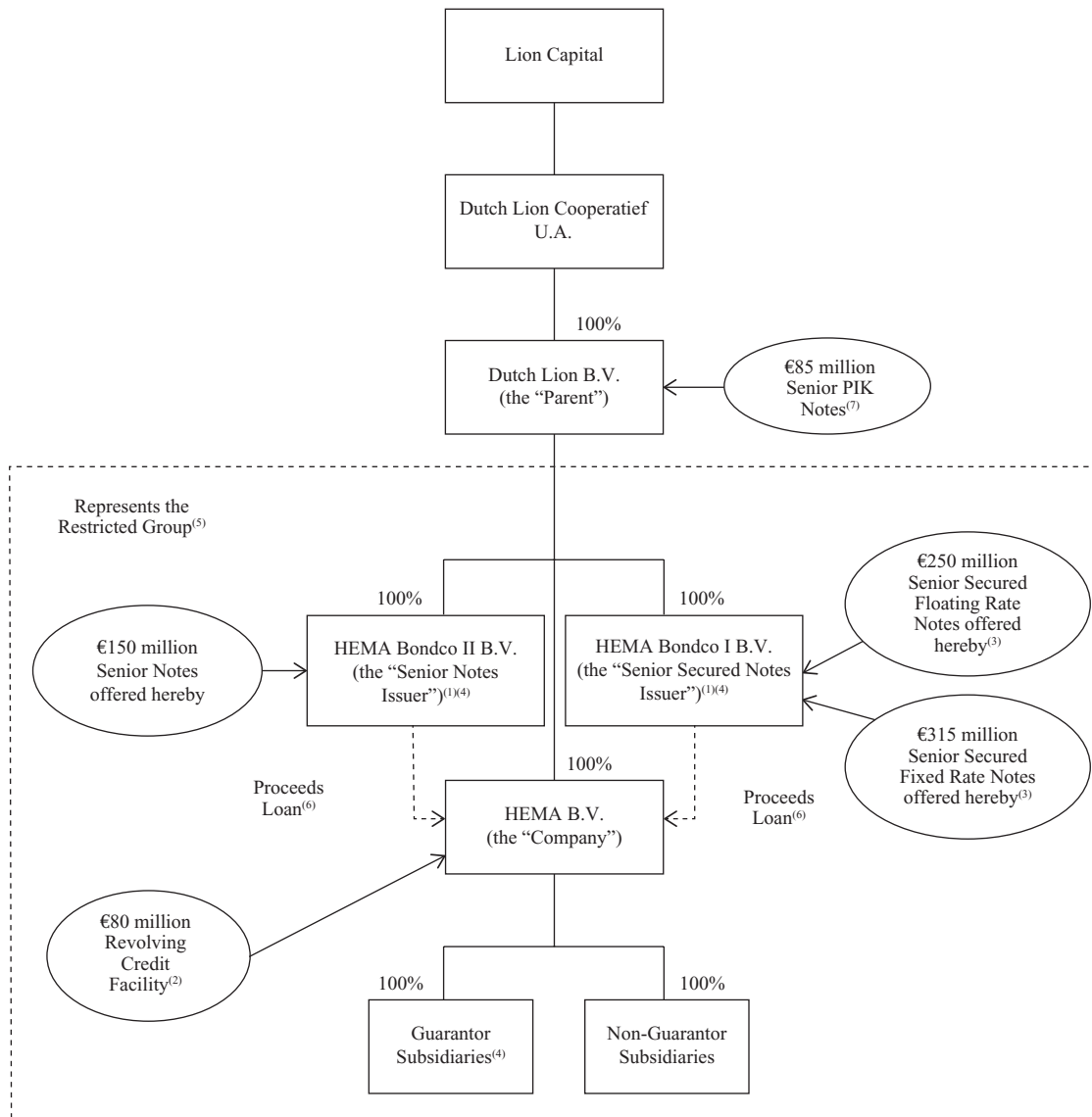
Lion Capital is a consumer-focused investor passionate about driving growth through strong brands. The firm seeks to make control investments in mid- and large-sized, consumer-retail businesses in Europe and North America. Lion Capital's senior leadership brings over 200 years of collective experience to the firm's activities and has been responsible for the investment of approximately €4.5 billion of equity capital in 29 companies. Past and present investments in consumer and retail companies include:

- Picard, the number one frozen food retailer in France, with a network of over 950 retailing outlets, acquired in 2010;
- All Saints, a leading international fashion brand created in London in 1994 with over 100 stand-alone stores across the United Kingdom, the United States and Europe, acquired in 2011;
- ghd, the leading premium hair styling appliance brand in the salon channel in the United Kingdom, Australia, Spain and Italy, acquired in 2013;
- Alain Afflelou, a prominent French retail chain specializing in optical services and sales of branded eyewear, acquired in 2012;
- Bumble Bee Foods, one of North America's best-known consumer packaged goods companies, with leadership positions in virtually every segment of the shelf-stable seafood category in North America, acquired in 2010;
- Findus, the second largest frozen food group in Europe and one of Europe's leading overall food manufacturers, with operations in all Nordic markets, France, Central and Eastern Europe and Thailand, acquired in 2008;
- Jimmy Choo, one of the leading ladies luxury brands in the world, specializing in premium shoes and handbags, acquired in 2004 and sold in 2007; and
- Orangina Schweppes, a leading pan-European player in the soft drinks market, with a strong local presence in more than 80 countries worldwide and a portfolio of 20 brand names, acquired in 2006 and sold in 2009.

Lion Capital acquired HEMA and its subsidiaries in July 2007.

Corporate and Financing Structure

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving effect to the Refinancing. See “Description of the Senior Secured Notes,” “Description of the Senior Notes” and “Description of Other Indebtedness” for more information on the material financing arrangements identified in this diagram.



- (1) The Issuers are indirectly majority owned and controlled by Lion Capital. The Issuers are indirectly wholly-owned by Dutch Lion Coöperatief U.A. As of the date of this offering memorandum, Dutch Lion Coöperatief U.A. holds membership accounts of which 99.48% is held by funds managed by Lion Capital. See “Principal Shareholder.”
- (2) The Revolving Credit Facility Agreement is for a committed amount of €80 million of secured credit borrowings. The original borrower under the Revolving Credit Facility will be the Company. See “Description of Other Indebtedness—Revolving Credit Facility.” The Issuers, the Company and the other Notes Guarantors will unconditionally guarantee the Revolving Credit Facility on a senior secured basis. See “Risk Factors—Risks Related to the Notes and the Notes Guarantees” and “Description of Other Indebtedness—Revolving Credit Facility.” The guarantees under the Revolving Credit Facility will be subject to contractual and legal limitations and may be released under certain circumstances. See “Risk Factors—Risks Related to the Notes and the Notes Guarantees.” On the Issue Date, the Revolving Credit Facility is expected to be drawn in the amount of €20.0 million due to the seasonality of our business, as we reach a low point in our annual cash cycle in the summer months. We also expect to roll-over approximately €3.3 million in outstanding and undrawn bank guarantees into the Revolving Credit Facility.
- (3) The obligations of the Issuers and the Guarantors under the Senior Notes Indenture, the Senior Secured Notes Indenture and the Revolving Credit Facility Agreement will be secured by liens on the Collateral. For a more detailed description of the Collateral, see “Description of the Senior Secured Notes—Security” and “Description of the Senior Notes—Security”. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility or in respect of certain hedging obligations, in each case, that are secured by the Senior Secured Notes Collateral will receive priority with respect to any proceeds received upon any enforcement action over any such assets. Any remaining proceeds received

upon any enforcement action over any Senior Secured Notes Collateral will be applied pro rata in repayment of all obligations under the Senior Secured Notes Indenture and the Senior Secured Notes and any other indebtedness of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors permitted to be incurred and secured by the Senior Secured Notes Collateral on an equal ranking basis pursuant to the Senior Secured Notes Indenture (with regards to the Senior Secured Notes) and the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the Senior Notes shall only receive proceeds from the enforcement of Senior Notes Collateral after liabilities under the Revolving Credit Facility, Senior Secured Notes and certain other senior indebtedness have been fully discharged. In addition, if the Issuers and the Guarantors enter into additional debt instruments, the Collateral may be used to secure such instruments. The security interests over the Collateral may be released under certain circumstances. See *“Description of Other Indebtedness—Intercreditor Agreement.”*

- (4) As at the Issue Date, the Senior Secured Notes Guarantors will unconditionally guarantee the Senior Secured Notes on a senior basis; the Senior Notes Guarantors will unconditionally guarantee the Senior Notes on a senior subordinated basis; and the Company, the Issuers and the other Notes Guarantors (the *“Revolving Credit Facility Guarantors”*) will guarantee the obligations under the Revolving Credit Facility. In addition, the Senior Secured Notes Issuer will guarantee the obligations under the Revolving Credit Facility on a senior secured basis and the Senior Notes on a senior subordinated basis, and the Senior Notes Issuer will guarantee the obligations under the Revolving Credit Facility and the Senior Secured Notes on a senior basis. See *“Risk Factors—Risks Related to the Notes and the Notes Guarantees,” “Description of the Senior Secured Notes—Senior Secured Notes Guarantees”* and *“Description of the Senior Notes—The Senior Notes Guarantees.”* As at and for the Fiscal Year 2013, the Company and its subsidiaries that will guarantee the Notes generated 95% and 96% of the consolidated net sales and EBITDA of the Company and its subsidiaries (excluding intercompany eliminations on consolidation), respectively, and represented 98% of the consolidated total assets of the restricted group (excluding intercompany eliminations on consolidation). The Notes Guarantees will be subject to contractual and legal limitations and may be released under certain circumstances. See *“Description of the Senior Secured Notes – Senior Secured Notes Guarantees,” “Description of the Senior Notes – The Senior Notes Guarantees”* and *“Risk Factors – Risks Related to the Notes and the Notes Guarantees.”*
- (5) The entities in the Restricted Group will be subject to the covenants under the Revolving Credit Facility Agreement and the Indentures.
- (6) Upon completion of the offering of the Notes, a proceeds loan in respect of the proceeds of the Senior Secured Notes will be made by the Senior Secured Notes Issuer to the Company and a proceeds loan in respect of the proceeds of the Senior Notes will be made by the Senior Notes Issuer to the Company. The Issuers’ respective rights in the proceeds loans will be pledged in favor of the Security Agent and comprise part of the Collateral. See *“Description of the Senior Secured Notes—Security.”* The Company will use the gross proceeds from the offering of the Notes, together with cash on hand, to repay in full our borrowings under the Existing Senior Facilities and the Existing Mezzanine Facility and to pay the fees and expenses associated with the offering and the Revolving Credit Facility including discounts and other commissions, advisory and other professional fees and other transaction costs.
- (7) Concurrently with the offering of the Notes, the Parent will offer €85 million of its Senior PIK Notes due 2020. The Parent will use the proceeds of the Senior PIK Notes to refinance its existing indebtedness and pay transaction fees and expenses. See *“Description of Other Indebtedness—Senior PIK Notes.”*

THE OFFERING

The summary below describes the principal terms of the Notes, the Notes Guarantees and the Collateral. It is not intended to be complete and certain of the terms and conditions described below are subject to important exceptions. You should carefully review the “Description of the Senior Secured Notes” and “Description of the Senior Notes” sections of this offering memorandum for more detailed descriptions of the terms and conditions of the Notes.

Issuers

Senior Secured Notes HEMA Bondco I B.V.

Senior Notes HEMA Bondco II B.V.

Notes offered

Senior Secured Floating Rate Notes €250 million aggregate principal amount of Senior Secured Floating Rate Notes due 2019.

Senior Secured Fixed Rate Notes €315 million aggregate principal amount of 6.25% Senior Secured Fixed Rate Notes due 2019.

Senior Notes €150 million aggregate principal amount of 8.50% Senior Notes due 2019.

Issue date June 17, 2014 (the “Issue Date”).

Maturity date

Senior Secured Notes June 15, 2019.

Senior Notes December 15, 2019.

Interest payment dates

Senior Secured Floating Rate Notes Quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing on September 15, 2014. Interest will accrue from the Issue Date and will be payable in cash.

Senior Secured Fixed Rate Notes Semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2014. Interest will accrue from the Issue Date and will be payable in cash.

Senior Notes Semi-annually in arrears on each June 15 and December 15, commencing on December 15, 2014. Interest will accrue from the Issue Date and will be payable in cash.

Issue price

Senior Secured Floating Rate Notes 100.0% plus accrued interest, if any, from the Issue Date.

Senior Secured Fixed Rate Notes 100.0% plus accrued interest, if any, from the Issue Date.

Senior Secured Subordinated Rate Notes 100.0% plus accrued interest, if any, from the Issue Date.

Denomination Each Note will have a minimum denomination of €100,000 and will be in integral multiples of €1,000 in excess thereof.

Ranking of the Notes

Senior Secured Notes The Senior Secured Notes will:

- be general, senior obligations of the Senior Secured Notes Issuer, secured by first-ranking security interests in the Senior Secured Notes Collateral as set forth below under “—Collateral—Senior Secured Notes,” which will also secure obligations under the Revolving Credit Facility and certain hedging obligations (but will receive proceeds from enforcement of security over the Senior Secured Notes

Collateral only after all obligations secured on a super priority basis, including obligations under the Revolving Credit Facility and certain hedging obligations, have been paid in full);

- rank *pari passu* in right of payment with all the Senior Secured Notes Issuer's existing and future indebtedness that is not subordinated in right of payment to the Senior Secured Notes, including the guarantee given by the Senior Secured Notes Issuer in favor of the Revolving Credit Facility;
- rank senior in right of payment to all the Senior Secured Notes Issuer's existing and future indebtedness that is subordinated in right of payment to the Senior Secured Notes, including the guarantee given by the Senior Secured Notes Issuer in favor of Senior Notes Issuer's obligations under the Senior Notes;
- be effectively senior to all the Senior Secured Notes Issuer's existing and future unsecured indebtedness to the extent of the value of the property or assets securing the Senior Secured Notes;
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Company that do not guarantee the Senior Notes; and
- be effectively subordinated to all the Senior Secured Notes Issuer's existing and future secured indebtedness that is secured by liens senior to the liens securing the Senior Secured Notes or secured by property or assets of the Senior Secured Notes Issuer that do not secure the Senior Secured Notes to the extent of the value of the property or assets securing such indebtedness.

Senior Notes The Senior Notes will:

- be general senior obligations of the Senior Notes Issuer;
- rank senior in right of payment to any existing and future indebtedness of the Senior Notes Issuer which is expressly subordinated in right of payment to the Senior Notes;
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Company that do not guarantee the Senior Notes; and
- be effectively subordinated to all the Senior Notes Issuer's existing and future secured indebtedness that is secured by liens that do not secure the Senior Notes, including the Senior Secured Notes and the Revolving Credit Facility to the extent of the value of the property or assets securing such indebtedness.

Notes Guarantees

Senior Secured Notes The Senior Secured Notes will be unconditionally guaranteed on a senior basis by the Senior Notes Issuer, the Company and certain of the Company's subsidiaries.

As at and for the Company's fiscal year ended February 2, 2014, the Company and its subsidiaries that are Senior Secured Notes Guarantors generated 95% and 96% of the consolidated net sales and EBITDA of the Company and its subsidiaries

(excluding intercompany eliminations on consolidation), respectively, and represented 98% of the consolidated total assets of the restricted group (excluding intercompany eliminations on consolidation).

The Senior Secured Notes Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See “*Description of the Senior Secured Notes—Guarantees*” and “*Risk factors—Risks Related to the Notes and the Notes Guarantees.*”

Senior Notes The Senior Notes will be unconditionally guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer, the Company and certain of its subsidiaries.

As at and for the Company’s fiscal year ended February 2, 2014, the Company and its subsidiaries that are Senior Notes Guarantors generated 95% and 96% of the consolidated net sales and EBITDA of the Company and its subsidiaries (excluding intercompany eliminations on consolidation), respectively, and represented 98% of the consolidated total assets of the restricted group (excluding intercompany eliminations on consolidation).

The Senior Notes Guarantees will be subject to contractual and legal limitations, and may be released under certain circumstances. See “*Description of the Senior Notes—Senior Notes Guarantees*” and “*Risk Factors—Risks Related to the Notes and the Notes Guarantees.*”

Ranking of the Notes Guarantees

Senior Secured Notes Each Senior Secured Notes Guarantee will:

- be a general, senior obligation of the relevant Senior Secured Notes Guarantor, secured by first-ranking security interests in the Senior Secured Notes Collateral as set forth below under “*—Collateral—Senior Secured Notes*” (but will receive proceeds from enforcement of security over Senior Secured Notes Collateral only after all obligations secured on a super priority basis, including obligations under the Revolving Credit Facility and certain hedging obligations, have been paid in full);
- rank *pari passu* in right of payment with all the Senior Secured Notes Guarantors’ existing and future senior indebtedness, including under the Revolving Credit Facility;
- rank senior in right of payment to all existing and future subordinated or unsecured indebtedness of the Senior Secured Notes Guarantors, including the Senior Notes and the Senior Notes Guarantees;
- be effectively subordinated to any existing and future indebtedness of the Senior Secured Notes Guarantors that is secured by liens senior to the liens securing the Senior Secured Notes Guarantees or by property or assets that do not secure the Senior Secured Notes Guarantees on an equal basis, to the extent of the value of the property or assets securing such indebtedness, including obligations under the Revolving Credit Facility and certain hedging obligations; and

- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Company that do not guarantee the Senior Secured Notes.

Senior Notes Each Senior Notes Guarantee will:

- be a general, senior subordinated obligation of the relevant Senior Notes Guarantor, secured on a second-ranking basis behind the security interests granted in favor of the Senior Secured Notes, the Revolving Credit Facility and certain hedging obligations as set forth below under “—Collateral—Senior Notes”;
- be subordinated in right of payment to all the Senior Notes Guarantors’ existing and future senior unsubordinated indebtedness, including indebtedness under the Revolving Credit Facility, the Senior Secured Notes and certain hedging obligations;
- rank *pari passu* in right of payment with all the Senior Notes Guarantors’ existing and future senior subordinated indebtedness;
- rank senior in right of payment to all existing and future indebtedness of the Senior Notes Guarantors that is expressly subordinated to the Senior Notes Guarantees;
- be effectively subordinated to any existing and future secured indebtedness of the Senior Notes Guarantors, including the Senior Secured Notes Guarantees and obligations under the Revolving Credit Facility and certain hedging obligations; and
- be structurally subordinated to any existing and future indebtedness of subsidiaries of the Company that do not guarantee the Senior Notes.

Collateral

Senior Secured Notes Subject to the terms of the Security Documents and the Intercreditor Agreement, as at the Issue Date the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured by a first-ranking security interest in the Senior Secured Notes Collateral. For a more detailed description of the Collateral, see “*Description of the Senior Secured Notes—Security.*”

Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility Agreement or in respect of certain hedging obligations, in each case, that are secured by the Senior Secured Notes Collateral will receive priority with respect to any proceeds received upon any enforcement action over any such assets. See “*Description of Other Indebtedness—Intercreditor Agreement.*”

The security interests over the Collateral may be released under certain circumstances. See “*Risk factors—Risks Related to the Notes and the Notes Guarantees,*” “*Description of Other Indebtedness—Intercreditor Agreement*” and “*Description of the Senior Secured Notes—Security—Release of liens.*”

Senior Notes Subject to the terms of the Security Documents and the Intercreditor Agreement, as at the Issue Date the Senior Notes and the Senior Notes Guarantees will be secured by a second-ranking security interest in the Senior Notes Collateral. For a

more detailed description of the Senior Notes Collateral, see “*Description of the Senior Notes—Security.*”

Optional redemption

Senior Secured Floating Rate Notes . . . Prior to June 15, 2015, the Senior Secured Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Secured Floating Rate Notes at a redemption price equal to 100% of the principal amount of the Senior Secured Floating Rate Notes redeemed, plus accrued and unpaid interest, if any, plus the applicable “make whole” premium described in this offering memorandum.

On or after June 15, 2015, the Senior Secured Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Secured Floating Rate Notes at the redemption prices set forth under the caption “*Description of the Senior Secured Notes—Optional Redemption,*” plus accrued and unpaid interest, if any.

Prior to June 15, 2015, the Senior Secured Notes Issuer will be entitled at its option, on one or more occasions, to redeem the Senior Secured Floating Rate Notes in an aggregate principal amount not to exceed 40% of the original aggregate principal amount of the Senior Secured Floating Rate Notes (including Additional Senior Secured Floating Rate Notes) with the net cash proceeds from certain equity offerings at a redemption price equal to 100.000% plus three month EURIBOR plus 5.25% of the principal amount outstanding in respect of the Senior Secured Fixed Rate Notes redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the Senior Secured Floating Rate Notes (including Additional Senior Secured Floating Rate Notes) remains outstanding immediately after each such redemption. See “*Description of the Senior Secured Notes—Optional Redemption.*”

Senior Secured Fixed Rate Notes . . . Prior to June 15, 2016, the Senior Secured Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Secured Fixed Rate Notes at a redemption price equal to 100% of the principal amount of the Senior Secured Fixed Rate Notes redeemed, plus accrued and unpaid interest, if any, plus the applicable “make whole” premium described in this offering memorandum.

On or after June 15, 2016, the Senior Secured Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Secured Fixed Rate Notes at the redemption prices set forth under the caption “*Description of the Senior Secured Notes—Optional Redemption,*” plus accrued and unpaid interest, if any.

Prior to June 15, 2016, the Senior Secured Notes Issuer will be entitled at its option, on one or more occasions, to redeem the Senior Secured Fixed Rate Notes in an aggregate principal amount not to exceed 40% of the original aggregate principal amount of the Senior Secured Fixed Rate Notes (including Additional Senior Secured Fixed Rate Notes) with the net cash proceeds from certain equity offerings at a redemption price equal to 106.250% of the principal amount outstanding in respect of the Senior Secured Fixed Rate Notes redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the Senior Secured Fixed Rate Notes (including Additional Senior Secured Fixed

	Rate Notes) remains outstanding immediately after each such redemption. See “ <i>Description of the Senior Secured Notes—Optional Redemption.</i> ”
Senior Notes	Prior to December 15, 2016, the Senior Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest, if any, plus the applicable “make whole” premium described in this offering memorandum. On or after December 15, 2016, the Senior Notes Issuer will be entitled at its option to redeem all or a portion of the Senior Notes at the redemption prices set forth under the caption “<i>Description of the Senior Notes—Optional Redemption,</i>” plus accrued and unpaid interest, if any. Prior to December 15, 2016, the Senior Notes Issuer will be entitled at its option, on one or more occasions, to redeem the Senior Notes in an aggregate principal amount not to exceed 40% of the original aggregate principal amount of the Senior Notes (including Additional Senior Notes) with the net cash proceeds from certain equity offerings at a redemption price equal to 108.500% of the principal amount outstanding in respect of the Senior Notes redeemed, plus accrued and unpaid interest, if any, provided that at least 60% of the original aggregate principal amount of the Senior Notes (including Additional Senior Notes) remains outstanding immediately after each such redemption. See “<i>Description of the Senior Notes—Optional Redemption.</i>”
Additional amounts; tax redemption	All payments with respect to the Notes or any Notes 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 similar governmental charge (including penalties, interest and other liabilities related thereto), except to the extent required by law. If an applicable withholding agent is required by law to withhold any amount for taxes imposed by any Relevant Taxing Jurisdiction (as defined herein) in respect of payments on the Notes or any Notes Guarantee, subject to certain exceptions, the Issuers and the Guarantors will pay such additional amounts as may be necessary so that the net amount received by any beneficial owner of Notes after such withholding or deduction (including any withholding or deduction attributable to additional amounts) will equal the amount such beneficial owner would have received if such withholding or deduction had not been required. See “<i>Description of the Senior Secured Notes—Withholding Taxes,</i>” and “<i>Description of the Senior Notes—Withholding Taxes.</i>” If certain changes in the law of any Relevant Taxing Jurisdiction (as defined herein) become effective that would impose withholding taxes or other deductions on the payments on the Notes, and, as a result, the Issuers are required to pay additional amounts on the Notes, the Issuers may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See “<i>Description of the Senior Secured Notes—Redemption for</i>

Taxation Reasons,” and “Description of the Senior Notes—Redemption for Taxation Reasons.”

Change of Control Upon the occurrence of certain events constituting a change of control, subject to certain exceptions, the Issuers may be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount redeemed on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase. A change of control will not be deemed to have occurred if certain financial tests are satisfied following such event that constitutes a Specified Change of Control Event (as defined in *“Description of the Senior Secured Notes—Certain Definitions—Specified Change of Control Event,”* and *“Description of the Senior Notes—Certain Definitions—Specified Change of Control Event.”* See *“Description of the Senior Secured Notes—Change of Control,” “Description of the Senior Notes—Change of Control”* and *“Risk factors—Risks Related to Our Structure – We may not be able to obtain the funds required to repurchase the Notes upon a change of control.”*

Certain covenants The Indentures relating to the Notes, among other things, will restrict the ability of the Issuers, the Company and its restricted subsidiaries to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions or purchase or redeem our stock;
- make investments or other restricted payments;
- enter into agreements that restrict our restricted subsidiaries’ ability to pay dividends;
- transfer or sell assets;
- engage in transactions with affiliates;
- create liens on assets to secure indebtedness;
- impair security interests; and
- merge or consolidate with or into another company.

Each of these covenants is subject to significant exceptions and qualifications. See *“Description of the Senior Secured Notes—Certain Covenants,”* and *“Description of the Senior Notes—Certain Covenants.”*

Transfer restrictions The Issuers have not registered, and do not intend to register, the Notes or the Notes Guarantees under the U.S. Securities Act. You may only offer or sell the Notes in transactions that are exempt from, or not subject to, the registration requirements of the U.S. Securities Act, or pursuant to an effective registration statement. See *“Notice to Investors.”* The Issuers have not agreed to, or otherwise undertaken, to register the Notes under the U.S. Securities Act.

No prior market The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes. See *“Risk Factors—Risks Related to Our Structure—There*

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

Listing	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. There is no assurance that the Notes will be listed and admitted to trade on the Euro MTF Market.
Use of proceeds	We intend to use the net proceeds from this offering, together with cash on hand and drawings under the Revolving Credit Facility, to repay in full our borrowings under the Existing Senior Facilities and the Existing Mezzanine Facility and to pay the fees and expenses associated with the Refinancing. See “ <i>Use of Proceeds.</i> ”
Governing law	The Indentures, the Notes and the Notes Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Revolving Credit Facility Agreement will be governed by English law. The Security Documents will be governed by the laws of the jurisdiction in which the Collateral that is the subject of such Security Documents, as applicable, is located.
Security Agent	The Royal Bank of Scotland plc
Trustee	Citibank, N.A., London Branch
Paying Agent, Calculation Agent and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Deutschland AG
Luxembourg Listing Agent	Banque Internationale à Luxembourg SA (the “ <i>Listing Agent</i> ”)
Risk factors	Investing in the Notes involves a high degree of risk. See the “<i>Risk Factors</i>” section for a description of certain of the risks you should carefully consider before investing in the Notes.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables present the summary historical consolidated financial information and other data of the Company for the periods ended and as at the dates indicated below.

The summary historical consolidated financial data set forth below have been derived from our audited consolidated financial statements for each of Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, as well as certain audited and unaudited information of Fiscal Year 2008, Fiscal Year 2009 and Fiscal Year 2010, and should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements, including the notes thereto, and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Presentation of Financial and Other Information*” and “*Business*,” each of which is included elsewhere in this offering memorandum. The results of operations and other financial and operating information for prior years are not necessarily indicative of the results to be expected for any future period.

Income Statement Data

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Net sales			
Sales to retail customers	812.1	820.4	786.9
Sales to franchisees	320.7	314.7	289.3
Other sales	16.7	17.8	15.1
Total net sales	1,149.5	1,152.9	1,091.3
Cost of sales	(645.7)	(631.9)	(589.6)
Gross profit	503.8	521.0	501.7
Operating expenses			
Total labor costs	(189.5)	(204.7)	(202.9)
Rents and related costs	(103.0)	(111.7)	(118.1)
Other general expenses	(64.9)	(68.3)	(67.4)
Other income and expense	6.0	2.4	3.9
Depreciation, amortization and impairments	(47.1)	(53.6)	(57.5)
Total operating expenses	(398.5)	(435.9)	(442.0)
Operating income	105.3	85.1	59.7
Finance costs			
Interest income	0.8	0.5	0.1
Interest expense	(78.4)	(64.0)	(72.1)
Amortized finance costs	(3.8)	(3.8)	(4.0)
Other finance costs	(2.3)	(4.3)	(0.4)
Total finance costs	(83.7)	(71.6)	(76.4)
Income before income taxes	21.6	13.5	(16.7)
Income taxes	(10.2)	(7.7)	0.3
Net (loss)/profit⁽¹⁾	11.4	5.8	(16.4)

(1) Net (loss)/profit for Fiscal Year 2012 has been restated to reflect the effect of the amendment to IAS 19R (“Employee Benefits”), which requires that all changes in the value of defined benefit plans be recognized immediately on the balance sheet as they occur. As a result, remeasurements of employee benefits (actuarial gains and losses) will be recorded in equity instead of profit and loss. HEMA has applied this amendment to IAS 19R from February 4, 2013. The restatement consisted of an adjustment of €0.8 million to operating expenses for Fiscal Year 2012 and an adjustment of (€0.2 million) to income taxes, which resulted in an adjustment to net (loss)/profit of (€0.6 million). Though we believe this amendment does not have a material impact on the consolidated financial statements, the net (loss)/profit for Fiscal Year 2011 was not restated and therefore is not completely comparable to the figures of Fiscal Year 2012.

Balance Sheet Data

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions at end of period)		
Non-current assets			
Property, plant and equipment	174.2	201.2	209.7
Intangible assets	1,172.9	1,174.4	1,168.7
Deferred tax assets	0.1	—	—
Other non-current assets	1.0	1.6	2.0
Total non-current assets	1,348.2	1,377.2	1,380.4
Current assets			
Inventories	150.8	147.8	147.6
Trade and other receivables	64.5	69.0	63.5
Other current financial assets	3.2	—	0.3
Current tax assets	—	—	3.0
Cash and cash equivalents	134.4	162.3	175.9
Total current assets	352.9	379.1	390.3
Total assets	1,701.1	1,756.3	1,770.7
Non-current liabilities			
Borrowings	767.9	761.0	755.0
Shareholder loan	146.9	168.7	193.1
Other financial liabilities	36.2	30.8	24.9
Employee benefits	8.8	7.9	7.1
Deferred tax liabilities	101.7	99.7	98.7
Provisions	0.2	0.1	0.1
Total non-current liabilities	1,061.7	1,068.2	1,078.9
Current liabilities			
Trade and other payables	284.2	315.6	336.4
Short term borrowings	7.8	18.3	10.8
Other financial liabilities	3.8	6.5	5.7
Deferred tax liabilities	7.8	0.5	1.4
Total current liabilities	303.6	340.9	354.3
Total liabilities	1,365.3	1,409.1	1,433.2
Total equity⁽²⁾	335.8	347.2	337.5
Total equity and liabilities	1,701.1	1,756.3	1,770.7

- (2) Total equity for Fiscal Year 2012 has been restated to reflect the effect of the amendment to IAS 19R (“Employee Benefits”), which requires that all changes in the value of defined benefit plans be recognized immediately on the balance sheet as they occur. As a result, remeasurements of employee benefits (actuarial gains and losses) will be recorded in equity instead of profit and loss. HEMA has applied this amendment to IAS 19R from February 4, 2013. The restatement consisted of an adjustment of €0.8 million to operating expenses for Fiscal Year 2012 and an adjustment of (€0.2 million) to income taxes, which resulted in an adjustment to net (loss)/profit of (€0.6 million). Though we believe this amendment does not have a material impact on the consolidated financial statements, the net (loss)/profit for Fiscal Year 2011 was not restated and therefore is not completely comparable to the figures of Fiscal Year 2012.

Cash Flow Data

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Net cash from operating activities	113.7	151.6	139.5
Net cash (used in) investing activities	(56.9)	(80.7)	(59.6)
Net cash (used in) financing activities	(56.2)	(43.0)	(66.3)
Net cash from operating, investing and financing activities	0.6	27.9	13.6
Cash and cash equivalents at the beginning of the year	133.8	134.4	162.3
Cash and cash equivalents at the end of the year	134.4	162.3	175.9

Financial Data by Product Category and Region (Unaudited)

	Fiscal Year					
	2011		2012		2013	
	(52 weeks ended January 29, 2012)		(53 weeks ended February 3, 2013)		(52 weeks ended February 2, 2014)	
	(Euro in millions, except percentages or ratios, or as otherwise indicated)					
Net Sales by Product Category						
Apparel	418.9	36.4%	403.9	35.0%	376.7	34.5%
Household Goods & Personal Care	397.1	34.5%	390.8	33.9%	369.9	33.9%
Food & Catering	270.0	23.5%	290.3	25.2%	286.9	26.3%
Services & Other	63.5	5.5%	67.9	5.9%	57.8	5.3%
Total	1,149.5	100.0%	1,152.9	100.0%	1,091.3	100.0%
Net Sales by Region						
The Netherlands	966.6	84.1%	956.1	83.0%	882.5	80.9%
Belgium and Luxembourg	141.7	12.3%	145.5	12.6%	143.5	13.1%
France	12.5	1.1%	21.9	1.9%	39.0	3.6%
Germany	12.0	1.0%	11.7	1.0%	11.1	1.0%
Other ⁽³⁾	16.7	1.5%	17.7	1.5%	15.1	1.4%
Total	1,149.5	100.0%	1,152.9	100.0%	1,091.3	100.0%
EBITDA by Region ⁽⁴⁾						
The Netherlands	218.2	76.5%	210.6	76.6%	181.1	72.8%
Belgium and Luxembourg	35.0	12.3%	35.6	13.0%	33.4	13.4%
France	2.3	0.8%	4.5	1.6%	7.0	2.8%
Germany	0.0	0.0%	0.3	0.1%	0.7	0.3%
Other ⁽⁵⁾	29.7	10.4%	24.1	8.8%	26.6	10.7%
Total store EBITDA	285.2	100.0%	275.1	100.0%	248.8	100.0%
Head office ⁽⁶⁾	(97.2)		(100.3)		(97.1)	
Logistics	(35.9)		(36.0)		(34.7)	
Inventory	0.3		(0.1)		0.2	
Total EBITDA	152.4		138.7		117.2	

Operating Data (Unaudited)

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions, except percentages or ratios, or as otherwise indicated)		
Number of stores (at end of period)⁽⁷⁾			
The Netherlands	492	517	528
<i>Directly operated</i>	247	260	269
<i>Franchised</i>	245	257	259
Belgium and Luxembourg	91	96	100
France	8	15	28
Germany	10	10	10
Total stores	601	638	666
<i>Directly operated</i>	356	381	407
<i>Franchised</i>	245	257	259
Total net selling space (sqm in thousands)	443	459	471
Like-for-like sales⁽⁸⁾	(1.0%)	(5.3%)	(5.5%)

Other Financial Data (Unaudited)

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions, except percentages or ratios, or as otherwise indicated)		
EBITDA ⁽⁹⁾	152.4	138.7	117.2
EBITDAR ⁽¹⁰⁾	226.0	218.0	200.3
Adjusted EBITDA ⁽¹¹⁾	156.3	141.8	120.5
Pro Forma Adjusted EBITDA ⁽¹²⁾	156.3	141.8	127.8
Net borrowings ⁽¹³⁾	661.7	634.4	610.1
Free cash flow ⁽¹⁴⁾	59.0	82.3	81.1
Cash flow conversion ⁽¹⁴⁾	39%	59%	69%

As Adjusted Financial Data (Unaudited)

	Fiscal Year 2013
	(52 weeks ended February 2, 2014)
	(Euro in millions, expect percentages or ratios, or as otherwise indicated)
As adjusted net borrowings ⁽¹⁵⁾	632.3
As adjusted secured net borrowings ⁽¹⁶⁾	482.3
As adjusted cash interest expense ⁽¹⁷⁾	47.3
As adjusted net borrowings ⁽¹⁵⁾ /Pro Forma Adjusted EBITDA ⁽¹²⁾	4.9x
As adjusted secured net borrowings ⁽¹⁶⁾ /Pro Forma Adjusted EBITDA ⁽¹²⁾	3.8x
Pro forma Adjusted EBITDA/As adjusted cash interest expense ⁽¹²⁾⁽¹⁷⁾	2.7x

Historic Data

	Fiscal Year					
	2008 (52 weeks ended February 1, 2009)	2009 (52 weeks ended January 31, 2010)	2010 (52 weeks ended January 30, 2011)	2011 (52 weeks ended January 29, 2012)	2012 (53 weeks ended February 3, 2013)	2013 (52 weeks ended February 2, 2014)
	(Euro in millions, except percentages)					
Number of stores (<i>unaudited</i>) . .	457	504	555	601	638	666
Net sales	1,049.1	1,081.5	1,114.3	1,149.5	1,152.9	1,091.3
% growth in Net sales	4.3%	3.1%	3.0%	3.2%	0.3%	(5.3%)
Gross profit	448.4	467.9	498.1	503.8	521.0	501.7
As % of net sales	42.7%	43.3%	44.7%	43.8%	45.2%	46.0%
Store EBITDA (<i>unaudited</i>) . . .	257.2	268.0	283.8	285.4	275.1	248.9
As % of net sales (<i>unaudited</i>) .	24.5%	24.8%	25.5%	24.8%	23.9%	22.8%
Corporate expenses (<i>unaudited</i>) ⁽¹⁸⁾	(125.1)	(127.8)	(128.2)	(130.1)	(134.4)	(129.8)
As % of net sales (<i>unaudited</i>) .	(12.0%)	(11.8%)	(11.5%)	(11.3%)	(11.7%)	(11.9%)
EBITDA (<i>unaudited</i>)	129.9	138.0	153.3	152.4	138.7	117.2
Change in working capital, provisions and other changes (<i>unaudited</i>) ⁽¹⁹⁾	3.9	4.2	8.7	(36.5)	24.3	23.5
Capital expenditures (<i>unaudited</i>)	(38.7)	(34.7)	(58.7)	(56.9)	(80.7)	(59.6)
Free cash flow (<i>unaudited</i>) ⁽¹⁴⁾ . .	95.1	107.5	103.3	59.0	82.3	81.1
Cash flow conversion ⁽¹⁴⁾	74%	78%	67%	39%	59%	69%

- (3) Other net sales include net sales in respect of sales to third parties delivered from HEMA bakeries, wholesale, e-commerce (home delivery only), financial services and other.
- (4) EBITDA for the Netherlands does not include EBITDA from e-commerce home delivery sales in the Netherlands, whereas EBITDA for each other region does include EBITDA from e-commerce in such region. EBITDA from e-commerce home delivery sales in the Netherlands is included in “Other” EBITDA. See footnote 5 below.
- (5) Other EBITDA includes EBITDA in respect of sales from HEMA bakeries (including intercompany sales), wholesale, e-commerce (home delivery only), financial services and other.
- (6) Head office EBITDA represents the costs incurred with respect to the management of the group, such as labor costs with our product development, quality assurance and legal departments, as well as an annual oversight fee, which refers to the annual fee for the services provided by Lion Capital to the Company under a monitoring and oversight agreement (see “*Management—Monitoring and Oversight Agreement*”) and certain advisory fees incurred in Fiscal Year 2011 in respect of a terminated transaction. The annual oversight fee was €2.8 million, €2.0 million and €1.8 million in Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, respectively.
- (7) From February 2, 2014 to the end of first quarter of Fiscal Year 2014, we added five new stores in France and one new store in Spain, all directly operated, as well as one new franchise store in the Netherlands.
- (8) Like-for-like sales represents the year-on-year percentage growth of the gross sales of our stores that have been open for the entire two-fiscal year period under review, including gross sales in respect of products ordered online and picked up in stores, items ordered online for home delivery, and deliveries from our bakeries to third parties. Gross sales for directly-owned stores represent the total sales transactions registered in our point of sale systems and are based on actual prices charged to customers. Gross sales for franchise stores represent the value of products we deliver to our franchise stores, where the value of a product is the actual retail price of the product in our point of sale system at the time it is delivered to our franchise store. Gross sales for the purpose of determining Like-for-like sales also includes commission we receive on Insurances which we provide as an agent and the full sale price of other products we sell on behalf of third parties such as vouchers, which is different from the treatment of sales of such products under IFRS. Gross sales for both directly-owned stores and for franchise stores include VAT which is 6% in respect of food and 21% in respect of virtually all other products and services (increased from 19% on October 1, 2012). Like-for-like sales information is based upon information from our internal management systems and not from our financial reporting systems and is unaudited. Different companies and analysts may calculate like-for-like sales differently, so making comparisons among companies on this basis should be done very carefully. Like-for-like sales is not a measure of performance under IFRS and should not be considered in isolation or construed as a substitute for net sales, operating profit or gross profit as an indicator of our operations in accordance with IFRS. See “*Presentation of Financial and Other Information*”.
- (9) EBITDA represents operating income plus depreciation, amortization and impairments. Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or

construed as substitutes for operating profit or gross profit as an indicator of our operations in accordance with IFRS. See “Presentation of Financial and Other Information.”

The following table reconciles operating income to EBITDA:

EBITDA Reconciliation

	Fiscal Year		
	2011 (52 weeks ended January 29, 2012)	2012 (53 weeks ended February 3, 2013)	2013 (52 weeks ended February 2, 2014)
	(Euro in millions)		
Operating income	105.3	85.1	59.7
Depreciation	35.6	38.8	42.2
Amortization	11.5	13.0	14.3
Impairments	0.0	1.8	1.0
EBITDA	152.4	138.7	117.2

(10) EBITDAR represents EBITDA plus annual costs of our operating leases from continuing operations, (net of sub-lease income) which were €73.6 million, €79.3 million and €83.1 million for Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, respectively.

(11) Adjusted EBITDA represents EBITDA plus pre-opening costs, defined as salary costs incurred with respect to new stores incurred prior to such stores’ respective opening dates plus rent in respect of new stores incurred prior to such stores’ respective opening dates, plus an annual oversight fee, which refers to the annual fee for the services provided by Lion Capital to the Company under a monitoring and oversight agreement (see “Description of Certain Related Party Transactions—Monitoring and Oversight Agreement”) plus certain advisory fees incurred in Fiscal Year 2011 in respect of an aborted transaction.

The following table reconciles EBITDA to Adjusted EBITDA:

Adjusted EBITDA Reconciliation

	Fiscal Year		
	2011 (52 weeks ended January 29, 2012)	2012 (53 weeks ended February 3, 2013)	2013 (52 weeks ended February 2, 2014)
	(Euro in millions)		
EBITDA	152.4	138.7	117.2
Pre-opening costs	1.1	1.1	1.5
Annual oversight fee and advisory fees	2.8	2.0	1.8
Adjusted EBITDA	156.3	141.8	120.5

(12) Pro Forma Adjusted EBITDA represents Adjusted EBITDA, plus €7.3 million of estimated future annual cost savings attributable to the implementation of the head office restructuring completed in early 2014 which does not include consultancy fees or restructuring costs associated with such cost savings.

(13) Net borrowings represents the Company’s total third party borrowings (excluding unamortized finance costs) plus financial lease liabilities, less cash and cash equivalents.

(14) Free cash flow represents EBITDA plus or minus the change in working capital minus capital expenditures and cash flow conversion represents the ratio of free cash flow to EBITDA. Different companies and analysts may calculate free cash flow and cash flow conversion differently, so making comparisons among companies on this basis should be done very carefully. Free cash flow and cash flow conversion are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or gross profit as an indicator of our operations in accordance with IFRS. See “Presentation of Financial and Other Information.”

The following table reconciles EBITDA to free cash flow:

Free Cash Flow Reconciliation

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
EBITDA	152.4	138.7	117.2
Change in working capital	(36.5)	24.3	23.5
Capital expenditures	(56.9)	(80.7)	(59.6)
Free cash flow	59.0	82.3	81.1

(15) As adjusted net borrowings represents the Company's total third party borrowings (excluding unamortized finance costs) plus financial lease liabilities, less cash and cash equivalents, after giving effect to the Refinancing as of February 2, 2014.

(16) As adjusted secured net borrowings represents as adjusted net borrowings other than the Senior Notes.

(17) As adjusted cash interest expense represents the cash interest expense on as adjusted net borrowings, after giving effect to the Refinancing, as if such transaction had occurred on February 4, 2013, using the margin over assumed three-month EURIBOR for the Senior Secured Floating Rate Notes and the interest rate for the Senior Secured Fixed Rate Notes, the Senior Notes and an assumed interest rate for the Revolving Credit Facility, which will be drawn on the Issue Date in the amount of €20.0 million, and including the commitment fee on the undrawn portion of the Revolving Credit Facility. As adjusted cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the issue of the Notes occurred on the date assumed, nor does it purport to project our interest expenses for any future period or our financial condition at any future date.

(18) Corporate expenses represents the costs incurred with respect to the management of the Group, such as labor costs with our product development, quality assurance and legal departments, as well as logistics costs. These expenses are presented on an EBITDA basis, therefore exclude depreciation and amortisation.

(19) Other changes refers to changes in accrued interest, revaluation of trade creditors in foreign currencies, payments on behalf of our parent companies, among other minor items.

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with the other information provided to you in this offering memorandum before purchasing the Notes. The occurrence of any of the events discussed below could be detrimental to our financial performance. If these events occur, the trading price of the Notes could decline, we may not be able to pay all or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or which are presently deemed immaterial may also harm our business and affect your investment.

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

Risks Related to Our Business

We are affected by general economic conditions worldwide and particularly in the Benelux.

Our results are primarily impacted by the prevailing economic climate, levels of employment, salaries, wage rates, availability of consumer credit, consumer confidence and consumer perceptions of economic conditions in the markets in which we operate or intend to operate in the near future, including the Benelux, France, Germany, Spain and the United Kingdom. An economic downturn or continued weakness in consumer spending in such countries could have a material adverse effect on our business, financial condition, results of operations and cash flows. On the other hand, economic recovery may cause consumers to reduce their purchases from value retailers. Although we believe that our broad product offering appeals to consumers generally, including certain premium products, to the extent that the economy recovers and our customers have greater disposable income, they may reallocate their purchases to other retailers selling at higher price points and with luxury brands. The housing market also can affect our business, as sales of household goods benefit from housing moves and renovations, which tend to decline in weak housing markets. The foregoing factors could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are particularly exposed to economic conditions in the Benelux and specifically the Netherlands, our most significant market. In Fiscal Year 2013, we generated 81% of our net sales and 73% of our EBITDA in the Netherlands, 13% of our net sales and 13% of our EBITDA in Belgium and Luxembourg, and the remainder in Germany and France, with our activities in Spain and the United Kingdom commencing in Fiscal Year 2014. Global economic conditions and uncertainties may also impact our suppliers, including, for example, supplier plant closures or increases in the cost of merchandise. Any of these trends may have a material adverse effect on our business, results of operations, financial condition, or prospects. Consumer confidence declined strongly in the Netherlands in 2011 and continued to suffer in 2012 and 2013, with a corresponding decline in consumer spending. This negatively affected our results of operations for Fiscal Year 2012 and Fiscal Year 2013, and our EBITDA declined year-on-year by 9% in Fiscal Year 2012 and 16% in Fiscal Year 2013, respectively. The Dutch unemployment rate increased from 3.9% in 2008 to 8.3% in 2013, and was on average 9.0% in the first quarter of 2014. Economic indicators point to a recovery with real GDP growth in the Netherlands expected to turn positive in 2014 and in line with the Eurozone by 2015. GDP growth along with a decline in the unemployment rate is expected to result in growth of disposable income. However, if any further deterioration in general economic conditions and consumer confidence were to occur, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be unable to implement our business strategies or may not implement them successfully.

Our future financial performance and success largely depend on the successful implementation of our business strategy, which in turn depends on our ability to achieve our objectives of continuing to develop our brand and customer proposition, increasing sales through international expansion and improving our operational efficiency. We may fail to achieve these objectives due to various factors specific to the industry or markets in which we operate that may be beyond our control or due to internal weaknesses specific to us that we may be unable to rectify. We cannot assure you that we will successfully implement our business strategy as described in this offering memorandum or that implementing this business strategy will sustain or improve and not harm our results of operations. Any failure to develop, revise or implement our business strategy in a timely and effective manner could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The recent restructuring of our head office (including the restructuring of our buying desk and team) implemented in Fiscal Year 2014 may not enhance our buying, management and administrative structure as planned by us and, as a result, may not bring the mid- and long-term benefits originally expected by us. In addition, we may face additional costs, including the diversion of the time and resources of management and technical personnel, if we conclude that this restructuring is not adequate and that further restructuring is required. We may be unable to successfully implement other cost-saving initiatives, whether planned or under way, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our store expansion strategy may fail and may expose us to new risks.

One of our key strategies is to expand our store network. Our ability to successfully open new stores (including internationally) will depend, in part, upon our ability to open and operate new stores on a timely and cost-effective basis while continuing to increase sales at our existing stores. Other important factors include the identification of sites suitable for our stores in terms of proximity to our target demographic and distance from existing stores; the negotiation of acceptable lease terms; the hiring, training and retention of qualified personnel; the level of existing and future competition in areas where new stores are to be located; our ability to integrate new stores into our operations on a profitable basis; and the capability of our existing distribution system to accommodate new stores. Historically there has been, and we anticipate that in the future there will continue to be, significant competition among retailers for desirable store sites, which may impact the speed with which we can locate new store sites and which may increase the rents payable for such new stores. The opening of new stores could result in the diversion of sales from our existing stores, which may cause reductions in our operating profit and like-for-like sales. Our growth strategy will also require us to expand and improve our operations and could strain our existing resources. The process of locating, fitting-out and opening new stores will require significant management time and attention, which may be diverted from other important activities. As we expand our stores, we may also need to expand our supply chain which may be more costly and reduce our efficiency. In particular, our two distribution centers in the Netherlands, which together with our central bakery handle all our supply, including outside the Netherlands, may not be adequate to meet increased demand. There can be no assurance that we will be able to open new stores on a timely or profitable basis or that we will be able to secure store sites on acceptable terms.

Our international expansion plans (including the recently opened store in Spain and the planned stores in the United Kingdom) expose us to additional risks related to, for example, our ability to successfully adapt our business model to international consumer preferences, different national health and consumer safety standards, a lack of local business experience and exposure to economic conditions in additional markets. We may also have difficulty hiring experts or qualified executives or employees in the countries in which we plan to expand. In addition, we may be unable to successfully integrate the services, products and personnel of any new stores we open or acquire into our operations. Further, continued international expansion may require a new distribution facility, resulting in additional capital expenditure. We cannot guarantee that future efforts at international expansion will be successful.

We operate in competitive markets and may not be able to compete effectively.

We operate in the highly competitive retail industry, and we compete with a wide variety of retailers of varying sizes and covering different price points and product units and geographic markets. Competition is generally based on product quality and choice, brand name recognition, price and service, as well as the number and location of stores. This competition places pressure on our sales, pricing strategy, margins and profitability. We face a variety of competitive challenges, including:

- anticipating and quickly responding to changing trends and consumer demands;
- developing innovative ranges of products, in sizes, colors and styles that appeal to consumers of varying age groups and tastes, as well as maintaining a diversified range of products covering all units that we offer;
- competitively pricing our products, achieving customer perception of value and providing quality products;
- engaging the proper manufacturers and in a cost-efficient manner;

- advertising and developing a strong brand image with consistent product offering across our stores and geographies, as well as undertaking effective and appropriate promotional activities and responding to promotional activities of our competitors;
- securing the most appropriate store and multi-channel portfolio, including an appealing website design and mobile application, as well as convenient store location, store layout and shopping experience; and
- attracting and retaining the most talented employees and management.

Some of our competitors offer a broad range of product units while others are specialist retailers (such as independent fashion retailers and mail-order or internet retailers) that compete with us only in certain product units. Some of our competitors have a broader worldwide presence and global brand recognition than we have. In addition, some of our competitors may be perceived to offer better quality or trendier products than ours. Certain competitors have greater financial resources, greater purchasing economies of scale and lower cost bases than us. Consequently they may afford to spend more on marketing and advertising campaigns thereby attracting market share. Some of our competitors may be able to react more swiftly to changes in market conditions or trends and may have a material competitive advantage allowing them to utilize their global market presence and brand or other advantages when navigating new or changing markets. They may also be able to accept lower prices than we can offer or accept higher costs for longer than we can withstand. Price is a key aspect of customer loyalty in our segment within the retail market. The adoption by competitors of aggressive pricing, intensive promotional activities and markdown strategies, retail sales methods or other actions, as well as our actions to seek to maintain our competitiveness and reputation, could have a material adverse effect on our business, results of operations, financial condition and prospects. For example, aggressive markdown strategies of certain competitors may lead to certain customers expecting and only purchasing products that are heavily discounted which may adversely affect our sales revenue and increase pressure on our margins. Furthermore, our competitors could consolidate, and the diversified product offerings or increased synergies of these consolidated businesses could increase the intensity of the competition we face.

In those international markets in which we are a relatively new entrant (notably Spain and the United Kingdom), or which we may enter in the future, we are, or will be, facing similar competitive forces but will be competing against longer-established competitors who are more likely to have better developed brand recognition and customer loyalty, existing store and distribution networks and greater knowledge of customer tastes and preferences, particularly among our target customer base. Our e-commerce operations in new international markets may be competing against local competitors with a wider network of local stores enabling them to more effectively implement an integrated multi-channel strategy than we can. In addition, our franchisees face significant competition in the markets in which they operate. If we or our franchisees are not able to compete successfully, our revenue could be adversely affected.

We expect competition from e-commerce providers to intensify in the future. Barriers to entry for e-commerce providers are minimal, and current and new competitors can launch new e-commerce platforms at a relatively low cost. E-commerce providers are able to use the internet as a marketing medium to reach significant numbers of potential customers. 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 not be able to successfully grow our e-commerce platform.

E-commerce is an increasingly important part of our multichannel distribution network. Our ability to develop our online sales depends on a number of factors, including our ability to successfully market our website; the hiring, training and retention of qualified personnel; our ability to integrate our growing online operations on a profitable basis; the capability of our existing distribution center to accommodate our growing online operations; the effect of any competition our online operations may have with our existing stores; and increased competition from other retailers as they introduce transactional websites or expand their existing online presence; and consumers' changing preferences with respect to how they shop online (i.e. through mobile and tablet applications). Our efforts to expand online sales may not result in increased sales or profits.

We may not be able to predict or fulfill consumer preferences or demand accurately.

The demand for the products we sell is subject to changing consumer demands and preferences. The availability of new products and changes in consumer preferences have made it more difficult to predict or fulfill sales demand accurately. Our success depends in part on our ability to effectively predict and respond to quickly changing consumer demands and preferences, and to translate market trends into appropriate, saleable merchandise offerings. We seek to maintain appropriate inventory levels in our stores. Inventory levels in excess of customer demand may result in inventory markdowns or the sale of excess inventory at discounted prices. Inventory levels below customer demand may result in unsatisfied customers and a reduction in net sales. Many of our suppliers are located in the European Union and Far East. The long lead times between ordering and delivery make it more important to predict, and more difficult to fulfill, the demand for items accurately. We cannot assure you that our orders will match actual demand. If we are unable to successfully predict or respond to changing styles or trends or if we misjudge the market, our sales will be lower and we may be faced with a substantial amount of unsold merchandise or missed sales opportunities. In response, we may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Launching new products and expanding into new product units may expose us to new challenges and more risks.

We may not be successful in the introduction, marketing and manufacture of any new products or product innovations or be able to develop and introduce, in a timely manner, innovations to our existing products that satisfy consumer needs or achieve market acceptance. Our lack of familiarity or experience with these new products and product units may make it more difficult for us to anticipate consumer demand and preferences, and we may encounter significant competition in product units where we are less established. Failure to successfully manage the launch of a new product or to release a product that meets our customers' expectations of our product quality and performance may impact our brand, image and reputation and negatively affect sales of our existing products and future product launches. We may misjudge consumer demand, resulting in inventory build-up and possible inventory write-downs. In addition, sales of our new products may only replace sales of existing products without expanding our customer base or increasing our turnover. Product range expansion may also make it more difficult for us to inspect and control quality and ensure proper handling, storage and delivery. We may experience higher return rates on new products, receive more complaints from customers about them and face costly product liability claims as a result of selling them, which would harm our brand and reputation as well as our financial performance. We cannot assure you that we will be able to recoup our investments in introducing new products or expanding into new product units.

Our business depends in part on a strong brand image, and any negative impact on the reputation of, and value associated with, our brand name could adversely affect our business.

Our brand, image and reputation represent an important part of our business given our 85-year history in the marketplace. Maintaining the reputation of, and value associated with, our brand name is central to the success of our business. This is of particular importance, since substantially all our products are HEMA-branded. Our business strategy and its execution may not accomplish this objective, and the launch of new products and services may affect our brand. In addition, our franchised stores make us dependent on third-party franchisees to operate their businesses effectively, on ethical and commercially reasonable terms, and in a manner that does not negatively impact our reputation. Substantial erosion in the reputation of, or value associated with, our brand name could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may be subject to instances of product counterfeiting and other trademark infringements. A significant presence of counterfeit products on the market can negatively impact our sales and reputation. Litigation may be necessary to enforce our trademark or proprietary rights or to defend ourselves against claimed infringement of the rights of third parties. Adverse publicity, legal action or other factors could lead to substantial erosion in the value of our brand, which could lead to decreased consumer demand and have a material adverse effect on our business, financial condition, results of operations and cash flows.

Adverse developments with respect to the safety and quality of our products or health concerns may damage our reputation, lead to financial losses, increase our costs of operations or decrease demand for our products.

Product safety and the public's perception that our products are safe and healthy are essential to our image and business. We sell apparel, household goods & personal care and food & catering products for human consumption, which subjects us to safety risks such as product defects, contamination, spoilage, misbranding or product tampering. Product defects, contamination (including the presence of a foreign object, substance, chemical or other agent or residue or the introduction of a genetically modified organism), spoilage, misbranding or product tampering could require product withdrawals or recalls, as we have had in the past, or destruction of inventory and could result in negative publicity, temporary plant closures and substantial costs of compliance or remediation. We may be impacted by publicity concerning the implications of any assertion that our products caused illness or injury or that our products raise environmental concerns. We could also be subject to claims or lawsuits relating to an actual or alleged illness stemming from product defects, contamination or any other incidents that compromise the safety and quality of our products.

A significant lawsuit or widespread product recall or other events leading to the loss of consumer confidence in the safety and quality of our products could damage our brand, reputation and image and have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, such governmental regulations may require us to identify replacement products to offer to our customers or, alternatively, to discontinue certain offerings or limit the range of products we offer. We may be unable to find substitutes that are as appealing to our customer base, or such substitutes may not be widely available or may be available only at increased costs. Such substitutions or limitations could also reduce demand for our products. We strive to control the risks related to product quality and safety through the implementation of, and strict adherence to, our quality standards. We maintain systems designed to monitor product safety risks and require our suppliers to do so as well. We cannot guarantee, however, that our efforts will continue to be successful or that such risks will not materialize. In addition, even if our own products are not affected by product defects, contamination or other incidents that compromise their safety and quality, negative publicity about our industry or the health implications of products similar to ours could result in reduced consumer demand for our products.

Our food & catering business is also subject to risks affecting the food industry generally, including risks posed by widespread contamination and evolving nutritional and health-related concerns. Regulatory authorities may limit the supply of certain types of food products in response to public health concerns, and consumers may perceive certain products to be unsafe or unhealthy, which could require us or our suppliers to find alternative supplies or ingredients that may or may not be available at commercially reasonable prices and within acceptable time constraints. Furthermore, consumers have been increasingly focused on food safety, health and wellness with respect to the food products they buy and their ingredients. Demand for our products could be affected by consumer concerns regarding the health effects of ingredients, such as trans fats, sugar, processed wheat or other product attributes, or by other changes in nutritional preferences, consumer lifestyle or environmental concerns.

Consumption or use of a defected, contaminated, spoiled, misbranded or altered product may result in personal illness or injury. We could be subject to claims or lawsuits relating to an actual or alleged illness or injury or death stemming from the consumption of one of our products which could negatively affect our business. While we are not currently the subject of material product liability claims for damages as a result of the consumption or use of our products, and we submit our products to extensive testing, we may still be exposed to liability claims in the future. Awards of damages, settlement amounts and fees and expenses resulting from such claims and the public relations implications of any such claims, could have an adverse effect on our business. The availability and price of insurance to cover claims for damages are subject to market forces that we do not control, and such insurance would not cover damage to our reputation. Even if product liability claims against us are not successful or fully pursued, these claims could be costly and time-consuming and may divert our management's time and resources towards defending them rather than operating our business. Any adverse publicity concerning such claims, even if unfounded, could cause customers to lose confidence in the safety and quality of our products and damage our reputation and brand image. This, in turn, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we are unable to provide superior customer experience, our business and reputation may be materially and adversely affected.

The success of our business depends on our ability to provide superior customer experience, which in turn depends on a variety of factors. These factors include our ability to continue to offer products at competitive prices, source products to respond to customer demands, maintain the quality of our products and services, and provide timely and reliable delivery, flexible payment options and comprehensive after-sales service.

Our customers purchase our products through our stores and online through our website. Our customers increasingly expect a seamless experience when accessing these channels and want to be able to interact with us in a variety of ways. In order to deliver such a service, we rely on a number of different internal systems and operating models across the distribution channels, such as the electronic payment interface. If a significant element fails or experience problems, such failure or problems may have a material adverse effect on our business, results of operations and financial condition.

In respect of our e-commerce, interruptions or failures in our online ordering platform or our delivery services (including those provided by third parties engaged by us) could prevent the timely or successful delivery of our products. These interruptions may be due to unforeseen events that are beyond our control or the control of our third-party couriers, such as inclement weather, natural disasters, transportation disruptions or labor unrest. If our products are not delivered on time or are delivered in a damaged state, customers may refuse to accept our products and have less confidence in our services. Furthermore, our own delivery personnel and those of contracted third parties act on our behalf and interact with our customers personally. We maintain cooperation arrangements with a number of third parties to deliver our products to our customers in those areas not covered by our own delivery infrastructure and we need to effectively manage these third-party service providers to ensure the quality of customer services. We have in the past received customer complaints from time to time regarding our delivery and return and exchange services. Any failure to provide high-quality delivery services to our customers may negatively impact the shopping experience of our customers, damage our reputation and cause us to lose customers.

If our customer service representatives fail to provide satisfactory service, or if waiting times are too long due to the high traffic in-store or high volume of calls from customers at peak times, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brand and reputation and in turn cause us to lose customers and market share.

We may not be able to adequately establish and protect our intellectual property rights, and the infringement or loss of our intellectual property rights could harm our business.

Our intellectual property rights are of particular importance to our business, since substantially all of our products are HEMA-branded and the technology and design of our best known products are created in-house, while most of the technology and design of the remaining products are developed by third-party experts under exclusive arrangements. To establish and protect our intellectual property rights, we rely upon a combination of national, foreign and multi-national patent, copyright, trademark and trade secret laws, together with confidentiality agreements and other contractual arrangements. Our expanded intellectual property portfolio provides enhanced protection for the design and technology incorporated into our products but may also expose us to additional or increased infringement or litigation regarding our intellectual property.

The measures that we take to protect our intellectual property rights may prove inadequate to prevent third parties (including our employees) from infringing or misappropriating our intellectual property. We may need to resort to litigation to enforce or defend our intellectual property rights. If a competitor files a patent application claiming a design or technology also claimed by us, or a trademark application claiming a trademark, service mark or trade dress also used by us, in order to protect our rights, we may have to participate in expensive and time consuming opposition or interference proceedings before the relevant patent or trademark office or agency. Similarly, our intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. The costs associated with protecting intellectual property rights, including litigation costs, may be material. Furthermore, even if our intellectual property rights are not directly challenged, disputes with third parties could lead to the weakening or invalidation of our intellectual property rights, or our competitors may independently develop designs and technologies that are substantially equivalent or superior to our design and technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may

require us to incur substantial costs, including the diversion of the time and resources of management and technical personnel.

Moreover, the laws of certain foreign countries in which we may operate in the future may not protect, and the governments of certain foreign countries may not enforce, intellectual property rights to the same extent as do the laws and government of the European Union, which may negate our competitive or technological advantages in such new markets. If we are unable to establish and then adequately protect our intellectual property rights, our business, financial condition and results of operations could be materially and adversely affected.

Claims by third parties that we are infringing their intellectual property and other litigation could adversely affect our business.

From time to time in the past we have been subject to claims that we are infringing the intellectual property of others, and it is possible that third parties will assert infringement claims against us in the future. A significant portion of our new product pipeline and technological advancements are achieved by adapting technologies from other industries to our products, and these technologies may be subject to intellectual property rights owned by participants in those other industries. An adverse finding against us in trademark or other intellectual property litigations may have a material adverse effect on our business, financial condition and results of operations. Any such claims, with or without merit, could be time consuming and expensive, and may require us to incur substantial costs, including the diversion of the resources of management and technical personnel, cause product delays or require us to enter into licensing or other agreements in order to secure continued access to necessary or desirable intellectual property. If we are deemed to be infringing a third party's intellectual property and are unable to continue using that intellectual property as we had been, our business and results of operations could be harmed if we are unable to successfully develop non-infringing alternative intellectual property on a timely basis or license non-infringing alternatives or substitutes, if any exist, on commercially reasonable terms. In addition, an unfavorable ruling in intellectual property litigation could subject us to significant liability, as well as require us to cease developing, manufacturing or selling the affected products or using the affected processes or trademarks. Any significant restriction on our proprietary intellectual property that impedes our ability to develop and commercialize our products could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our design and technology, products and services could be harmed significantly.

We rely on trade secrets, know-how and other proprietary information in operating our business. If this information is not adequately protected, then it may be disclosed or used in an unauthorized manner. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to our proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in our favor. The risk that other parties may breach confidentiality agreements or that our trade secrets become known or independently discovered by competitors, could harm us by enabling our competitors, who may have greater experience and financial resources, to copy or use our trade secrets and other proprietary information in the advancement of their products, methods or technologies. The disclosure of our trade secrets would impair our competitive position, thereby weakening demand for our products or services and harming our ability to maintain or increase our customer base.

Our future growth and profitability could be adversely affected if our advertising and marketing programs are not effective in generating sufficient levels of customer awareness and traffic.

We rely heavily on print advertising, especially brochures and direct mail, to promote our products and new store openings, to increase consumer awareness of our product offer and pricing and to increase store traffic. In addition, we rely and will increasingly rely on other forms of media advertising. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising and marketing programs. In order for our advertising and marketing programs to be successful, we must manage advertising and marketing costs effectively in order to maintain acceptable operating margins and return on our marketing investment and convert customer awareness into actual store visits and product purchases.

Our advertising and marketing expenditures, including those associated with our brand advertising and television campaigns, may not result in increased total or comparable sales or generate sufficient levels of product awareness. We may not be able to manage our advertising and marketing expenditures on a cost-effective basis. There are a limited number of companies capable of distributing our brochures and direct mail advertising at the volume levels we require. If any of these companies cease operations, or if their expenses (e.g., postage, printing and paper costs) increase substantially, then it is likely that our advertising expenses will increase, which will have a negative effect on our business and operating results.

We depend on suppliers located outside the European Union for a significant portion of our products.

We purchase a significant portion of our products in markets outside of the European Union, principally in the Far East and other markets such as Turkey, Egypt, Israel and other additional smaller markets. We face a variety of risks generally associated with doing business in foreign markets and importing merchandise from these regions, including political and economic instability, high inflation rates, increased security requirements applicable to foreign goods, imposition of duties and taxes, other charges and restrictions on imports, currency and exchange rate risks, risks related to labor practices, significant wage increases, environmental matters or other issues in the foreign countries or factories in which our merchandise is manufactured, delays in shipping and increased costs of transportation. Moreover, global economic crisis or other factors could impair the insolvency of our suppliers and other counterparties. In addition, new initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions that, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries. The future performance of our business will partly depend on our foreign suppliers and may be adversely affected by the factors listed above, all of which are beyond our control. Any of these risks, in isolation or in combination, could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows.

We are dependent upon the availability of raw materials and the ability of our suppliers to meet our requirements.

We source substantially all our products (excluding food) from non-exclusive, third-party suppliers. We regularly depend upon the ability of suppliers to secure a sufficient supply of raw materials, adequately finance the production of goods orders and maintain sufficient manufacturing and shipping capacity. Although we monitor production in third-party manufacturing locations, we cannot be certain that we will not experience operational difficulties with our suppliers, such as the reduction of availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines or increases in manufacturing costs. Even if we are able to monitor our suppliers directly, we cannot effectively avoid that they subcontract or outsource part of the manufacturing process to other parties which may not be accessible or monitored by us. Such difficulties may negatively impact our ability to deliver quality products to our stores on a timely basis, which may, in turn, have a material adverse effect on our customer relationships, business, financial condition, results of operations and cash flows.

We and our suppliers rely on the availability of raw materials at reasonable prices. The principal materials used in our apparel and home & personal care business are cotton, linens, wools, other natural fibers, synthetics and blends of these materials, coffee, oil, wood and plastics. In addition, our food & catering business uses significant quantities of food ingredients and packaging materials. The prices paid for any of these materials depend on the market price for raw materials used to produce them. The price and availability of certain raw materials have fluctuated in the past, and may fluctuate in the future, depending on a variety of factors, including crop yields, weather, supply conditions, government regulation, war, terrorism, labor unrest, global health or environmental concerns, economic climate, energy prices and other unpredictable factors. We may also be affected by the imposition of national or international quotas regulating, for example, volumes of raw materials. Additionally, costs of our suppliers may increase due to these same factors. Any significant increase in the price of raw materials or decrease in the availability of raw materials could cause delays in product deliveries to our customers, which could have an adverse impact on our customer relationships and increase our costs. Furthermore, energy costs have fluctuated heavily in the past. These fluctuations may result in an increase in our transportation costs for freight and distribution, utility costs for our retail stores and overall costs to purchase products from our suppliers. We may be unable to pass any additional raw material or energy-related costs on to our customers and, even if we are able to increase our prices to cover such additional costs, such price increases could reduce demand for our products.

We require our suppliers to meet certain standards in terms of working conditions, environmental protection and other matters before placing business with them. As a result of costs relating to compliance with these standards, we may pay higher prices than some of our competitors for products. In addition, the labor and business practices of independent manufacturers have received increased attention from media, non-governmental organizations, consumers and governmental agencies in recent years. Failure by us or our suppliers to adhere to labor or other laws or business practices accepted as ethical, and the potential litigation, negative publicity and political pressure relating to any of these events could disrupt our operations or harm our reputation. In addition, changing a supplier following the discovery of a violation could result in additional costs and supply shortages or disruptions. Any of these risks could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our dependence on a few manufacturers and providers for certain products and services makes us vulnerable to a disruption in the supply of our products.

While we have made arrangements for alternative or redundant manufacturers for most of our products, a small number of our SKUs are manufactured or provided by only one or a few suppliers, including some of our iconic products such as the Dutch sausage and seasonal sweets. An adverse change in, among others, any of the following, particularly in advance of the year-end holiday season, could have a material adverse effect on our business, financial condition and results of operations:

- our ability to identify and develop relationships with qualified manufacturers and providers;
- the terms and conditions upon which we purchase our products from our manufacturers, including applicable exchange rates;
- transport and other costs;
- the financial condition and reputation of our manufacturers and providers;
- political instability in the countries in which our manufacturers and providers are located;
- our ability to import products into the markets in which we sell them;
- our manufacturers' and providers' noncompliance with applicable laws, trade restrictions and tariffs, including the holding of the applicable licenses and permits;
- an increase in the cost of the raw materials and sub-components procured by our manufacturers; or
- our manufacturers' ability to manufacture and deliver products according to our standards of quality on a timely and efficient basis.

If our relationship with one of such specific manufacturers is adversely affected, we may not be able to quickly or effectively replace such manufacturer and may not be able to retrieve tooling, moulds or other specialized production equipment or processes used by such manufacturer in the manufacture of the relevant products. In addition, we manufacture our products using specially designed machines and proprietary technology. Damage to our manufacturers' facilities or prolonged interruption in their operations for repairs, as a result of labor difficulties or for other reasons, could have a material adverse effect on our suppliers' ability to manufacture our products. The inability to provide iconic products (especially during or in advance of the year-end holiday season) may reduce the footfall in our stores and reduce our general sales in that period, as well as harm our reputation as a retailer that offers all ranges of products throughout the year.

We also depend on a single supplier for certain services required for the supply chain and management of our business, such as for the distribution of our food products and for information technology licenses and backup. If our relationship with one of these service providers is adversely affected, we may not be able to quickly or effectively replace such service provider and our business may be disrupted and materially affect our results.

We also depend on only one insurer (*verzekeraar*) for each type of insurance which we offer to our customers in the Netherlands and with respect to which we provide intermediary services. The same applies to the Insurances provided to our customers in Belgium. If our relationship with one of these insurers is adversely affected, we may not be able to quickly or effectively replace such insurer and our Insurance Agency business may be disrupted, which could have a materially adverse effect on our results.

We may not be able to locate and develop relationships with a sufficient number of new suppliers or maintain relationships with our existing suppliers, which could lead to increased costs, product shortages and customer backorders, which could harm our business.

In the event that one or more of our suppliers decides to no longer work with us or demands higher prices or more stringent payment terms or is unable to meet the quantity or quality of our product requirements, we may not be able to develop relationships with new suppliers in a manner that is sufficient to supply the shortfall. For example, we have recently learned that certain of our suppliers intend to commence arbitration to dispute their current contributions to our marketing strategy fund. Even if we do identify such new suppliers, we may experience increased costs, product shortages and customer backorders as we transition our product requirements to alternative suppliers. In addition, we cannot assure you that any new supplier with which we do business would not be subject to the same or similar quality- and quantity-related risks as our existing suppliers. Any such developments could increase our costs of sales and adversely affect our profit margins.

We may not have adequate remedies against our suppliers for defective merchandise and for unsatisfactory services, which could damage our reputation and brand image and harm our business.

If products that we purchase from suppliers are damaged or prove to be defective, we may not be able to return products to these suppliers and obtain refunds of our purchase price or obtain other indemnification from them. Our suppliers' limited capacities may result in a supplier's inability to replace any defective merchandise in a timely manner, especially during peak selling seasons such as the year-end. In addition, our suppliers' limited capitalization or liquidity may mean that a supplier that has supplied defective merchandise will not be able to refund the purchase price to us or pay us any penalties or damages associated with any defects.

Any failure by our suppliers to adhere to product safety or manufacturing safety standards could result in serious product defects that may not be detected by our quality control procedures and which may in turn lead to product recalls. The reputation of our brand could be damaged by the marketing of defective products, especially in the event of serious defects such as products containing harmful substances causing physical harm or other health problems. Such serious defects could also lead to a significant decline in sales. In addition, there is a risk that compliance lapses by our suppliers could occur which could lead to investigation by agencies responsible for international trade or health and safety compliance. Resulting penalties or enforcement actions could delay future imports or otherwise negatively impact our business. In all such cases, especially if there is a prolonged impact on product quality, our business, financial condition and results of operations may be materially adversely affected.

Certain of the services, such as Insurances, we provide to our customers are in fact provided by third parties. If those services are not satisfactorily provided to our customers, our reputation, brand positioning and business may suffer. While we have contractual arrangements with the third-party service providers, our ability to influence their behavior is limited.

Our business could suffer as a result of weak sales during peak selling seasons.

Our business is subject to seasonal fluctuations. Historically, our most important trading period in terms of net sales, operating results and cash flow has been the Christmas season (including *Sinterklaas*, the Dutch and Belgium equivalent of Santa Claus, celebrated on December 5 in the Netherlands and on December 6 in Belgium), with 20% of our sales in Fiscal Year 2013 occurring from November 4, 2013 to January 5, 2014. We incur additional expenses in advance of the Christmas season in anticipation of higher sales during that period, including for acquiring additional inventory, advertising and hiring additional employees. Past net sales trends indicate that, in addition to the Christmas season, increases in net sales also occur during Easter as a result of promotional events and seasonal sales. If for any reason net sales during our peak seasons, particularly the Christmas season, are significantly lower than expected, we may be unable to adjust our expenses in a timely fashion and may be left with unsold inventory, especially in seasonal merchandise that may be difficult to sell at other times of the year. In that event, we may be forced to rely on markdowns or promotional sales to dispose of excess inventory, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Severe or unseasonal weather conditions and catastrophic events can adversely affect our business.

Our results are affected by periods of abnormal, severe or unseasonal weather conditions. Periods of warm or cold weather could also render a portion of our inventory incompatible with such unseasonal conditions

particularly within our apparel category. Adverse weather conditions early in the season could have a double impact on our profitability, leading to a slowdown in sales at full margin followed by more extensive markdowns at the end of the season. Prolonged unseasonal weather conditions or temporary severe weather during one of our peak trading seasons, such as the Christmas season, could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, heavy snowfall or other extreme weather conditions, such as floods, may make it difficult for our employees and customers to travel to our stores.

Severe or unseasonal weather conditions can also affect our suppliers' ability to produce (especially in respect of products that consist of or require on its manufacture any kind of natural resources) or transport our products, adversely affecting our inventory management and, consequently, our results, especially if occurred during or in advance of the year-end holiday season. Furthermore, severe or unseasonal weather conditions affecting our suppliers may significantly increase the cost of their supply, having a material adverse effect on our results.

Catastrophic events, whether natural or man-made, such as severe weather conditions, floods, fires, earthquakes, pandemics or epidemics, terrorist and war activities have a negative effect on retailers, particularly retailers who sell non-essential goods. The occurrence of one or more such events could adversely affect us, and we cannot accurately predict the extent to which such events may affect us, directly or indirectly, in the future. We also cannot assure you that we will be able to obtain or choose to purchase any insurance coverage with respect to occurrences of terrorist acts and any losses that could result from these acts. If there is a prolonged disruption at our properties due to natural disasters, severe weather conditions, terrorist attacks or other catastrophic events, our results of operations and financial condition could be materially adversely affected.

Our franchise ownership structure exposes us to a number of additional risks.

As of February 2, 2014, a total of 259 HEMA stores were operated on a franchise basis, all in the Netherlands. Historically, franchisees enabled us to rapidly add significant scale at a low investment rate. Today, we allow our existing franchisees to expand within their catchment area to profit from their local market knowledge and network. Although we believe that franchise stores are beneficial to us because the capital required to grow and maintain our store portfolio is partially funded by franchisees, it also presents a number of drawbacks, such as our limited influence over franchisees and reliance on franchisees to implement major initiatives, limited ability to facilitate changes in store ownership and limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings. While we can mandate certain strategic initiatives through enforcement of our franchise agreements, we need the active support of our franchisees if the implementation of these initiatives is to be successful.

Our operating results substantially depend upon our franchisees' sales volumes and financial viability. Our franchisees, however, are independent operators and we cannot control many factors that impact the profitability of their stores. Consequently, franchisees may not successfully operate stores in a manner consistent with our standards and requirements. In addition, franchisees may not hire and train qualified managers and other store personnel. Our franchisees may also experience financial difficulties, impairing both the quality of their customer offerings and the ability of the franchisees to meet their financial obligations to us. While we ultimately can take action to terminate franchisees that do not comply with the standards contained in our franchise agreements, we may not be able to identify problems and take action quickly enough, and, as a result, our image and reputation may suffer, and our results of operations could decline.

Our efforts to build alignment with franchisees may result in a delay in the implementation of our marketing and advertising programs and other key initiatives such as store refurbishments. The failure of our franchisees to support our marketing programs and strategic initiatives could adversely affect our ability to implement our business strategy and could materially harm our business, results of operations, financial condition and cash flows. Our principal competitors may have greater influence over their stores than we do because of their significantly higher percentage of directly operated stores. As a result, our competitors may have a greater ability to implement operational initiatives and business strategies, including their marketing and advertising programs.

In addition, we are involved in various disputes with our franchisees regarding the implementation of our franchise agreement and may be subject in the future to other claims and lawsuits. The HEMA Franchise Associations (*Vereniging Aangesloten Bedrijven*, or *VAB*), the representative of almost all of our franchisees, sent a letter in November 2013 to our principal indirect shareholder, Lion Capital, disputing certain

aspects of our contractual relationship and threatening litigation against us, though no litigation has been commenced to date. See “*Business—Sales Channel—Franchise Stores.*” We generally seek to resolve any disagreements with our franchisees amicably. Formal dispute resolution occurs through arbitration, if provided under the applicable franchise agreement, or through litigation. Litigation often leads to higher expenses. We cannot predict the outcome of any such arbitration or litigation, the effect of any adverse judgment of a court or arbitrator against us or the amount of any settlement that we may be forced to enter into with any third party. 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. Our franchisees may not continue to support our strategic and other initiatives and litigation with franchisees may be commenced. Additionally, changes to our franchise agreements as a result of the current dispute or other matters may have a material adverse effect on our financial results.

Our facilities are subject to risks that could have a material adverse effect on our operations.

Operations at our retail facilities and distribution centers are subject to a variety of risks, including natural disasters, terrorism and acts of violence, damage to the buildings, failure to comply with applicable regulations, including zoning and environmental regulations, and to maintain necessary permits and approvals, equipment failure and work stoppages. In particular, municipal construction projects nearby our stores could result in reduced accessibility and limitations to the use of the affected retail facilities. In addition, any major breakdown of plant or equipment, or IT systems, or accident such as serious fire or flood, at any of our distribution centers may significantly impact our ability to distribute products to our stores and maintain an adequate supply chain. Although we have a disaster recovery plan, any significant interruption in operations resulting from such events or other events, in particular with respect to our two main distribution centers and our central industrial bakery, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business is subject to increased transportation costs and disruption of transportation services.

Logistics is an important element of our cost structure. With the exception of fresh food products (which are delivered directly from our suppliers to our stores), we deliver the majority of our merchandise to our stores in the Netherlands and internationally through our two distribution centers in Utrecht (Lage Weide). We operate a fleet of leased trucks to transport products from our distribution centers to our stores. Transportation costs have historically fluctuated significantly over time, in particular as a result of fluctuating oil prices, and increases could result in reduced profits. We also depend on third parties for transportation of products to our distribution centers and for the distribution of fresh food products, and these services are subject to price changes and could be disrupted. In addition, pursuant to our expansion strategy, we intend to open additional stores internationally, which will increase our exposure to logistical costs and risks, particularly those related to our centralized distribution system. Any increases in the cost of transportation or any disruption in transportation, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The properties in which we operate our stores are subject to certain licenses.

The properties in which we operate our stores, or in which we may operate new stores, are subject to several licenses from the applicable governmental authorities. We cannot assure that we will be able to renew such licenses in a timely manner, or that the licenses that we have applied for will be obtained. In addition, we cannot assume that we will obtain such licenses in a timely manner for the opening of new stores. If we are unable to renew or obtain such licenses, we may be subject to certain penalties varying from the imposition of fines to the termination of our business in the respective properties, as the case may be. Such penalties, especially the termination of our activities in the properties in which we operate our stores, may adversely affect our results and harm our reputation.

We may not be able to renew or replace our store leases at favorable terms.

We currently lease all our store locations. Our current leases expire at various dates and have an average remaining lease term of 6.7 years, as of February 2, 2014. Our ability to maintain our existing rental rates during rent renewals or to renew any expired lease on favorable terms will depend on many factors which are not within our control, such as conditions in the local real estate market, competition for desirable properties and our relationships with current and prospective landlords. We may be forced into rent

increases in cases where our competitors are bidding for our locations at the expiration of our leases. For example, we have recently experienced significant increases upon renewal in the rent for several of our stores in Belgium due to bids from our competitors for our locations. Further, approximately 100 of our leases in the Netherlands are with the same landlord. If we are unable to renew our leases, our ability to lease a suitable replacement location on favorable terms is subject to the same factors. In addition, there may be regulatory or legal restrictions to lease a property or to open a new store in certain locations. If our lease payments increase or we are unable to renew existing leases or lease suitable alternate locations, or if our relationship with our largest landlord deteriorates, our business, financial condition, results of operations and cash flows may be materially adversely affected.

Our currently favorable working capital position may be difficult to maintain.

Our business generally results in a negative working capital position, as we obtain credit from our suppliers, but do not extend credit to our customers, except for our franchisees. Our working capital requirements are mainly guided by the level of our inventories, trade and other receivables, and trade and other payables. Trade payables mainly represent payments to suppliers of our goods. We have extended payment terms with our suppliers over the last several years and it may be difficult to maintain such extended terms. For example, we have recently learned that certain of our suppliers intend to commence arbitration to obtain payment terms that are less favorable to us. In addition, new European Union legislation is pending and may make such extended payment terms unlawful. Any of the foregoing factors may adversely affect our working capital position and liquidity.

If we lose our AFM license necessary for part of our business we may not be able to carry on such business or parts of our current or planned businesses.

Our subsidiary Hema Financial Services B.V. has obtained a license from the AFM, which is required pursuant to the DFSA for our activities as insurance intermediary. This license allows us to act as intermediary and advise on various types of insurance. In this respect, Hema Financial Services B.V. is required to comply with the ongoing requirements applicable to a financial service provider (*financiële dienstverlener*) which provides intermediary services (*bemiddelen*) and advisory services (*adviseren*) with respect to insurance (*verzekeringen*) under the DFSA. The DFSA and other applicable laws and regulations and their interpretation may change from time to time. Compliance with, and monitoring of, applicable laws and regulations may be complex, time consuming and costly. Moreover, failure to comply with the applicable laws and regulations could result in fines or other sanctions, including the revocation of the license. Such sanctions will in general also be published by the AFM, which may damage our reputation. Delays in carrying out activities for which the AFM has granted a license may result in withdrawal of this license in whole or in part.

Our results may be adversely affected by increases in the rate of value added tax or other applicable tariffs.

Our results may be adversely affected by increases in the rate of value added tax (“VAT”) or other applicable tariffs. VAT has historically increased and could increase further in the future or be expanded to cover products and services not previously covered. To date we have been able to increase the prices of our products to match the increase in VAT. If we are unable to do so, our profitability margins will be negatively impacted. On the other hand, when passing the increase in VAT on to our customers by raising the prices of our products, the demand for our products could decline.

In addition, we often rely on generally available interpretations of the regulation applicable to VAT and other taxes and tariffs. We cannot be certain that the relevant tax authorities are in agreement with our interpretation of these regulations. If our tax positions are challenged by relevant tax authorities, the increase of the rate of VAT applicable to our activities or the imposition of additional taxes or tariffs could require us to pay taxes that we currently do not collect or pay or increase the costs of our services to track and collect such taxes, which could increase our costs of operations or our effective tax rate and have a negative effect on our business, results of operations and financial condition.

We are subject to numerous statutes and regulations and complaints from customers and other third parties.

We are subject to certain product safety, health and safety, quality, labeling, packaging, truth-in-advertising, store opening hours, intellectual property protection, employee, consumer, environmental and other laws and regulations, including consumer credit and consumer protection regulations, privacy and information laws, and zoning and occupancy ordinances, that regulate retailers

generally and/or govern the importation, promotion and sale of merchandise. Regulators have established highly technical requirements regarding labeling, manufacturing, distribution, transportation and storage of products, as well as with respect to our bakery operations. Our facilities are subject to licensing, reporting requirements and official quality controls by numerous governmental authorities. These governmental authorities include European, national and local health, environmental, labor relations, sanitation, building, zoning, fire and safety departments.

If we fail to comply with these laws and regulations, or to promptly implement any action required by any change in these laws or regulations, we could be subject to temporary or permanent closure of the affected stores, fines, penalties or other costs and liabilities under the controlling laws and regulations. In addition, if any such laws or regulations are violated by third parties that supply goods or services to us, we could experience delays in shipments and receipt of goods. Difficulties in obtaining or failure to obtain necessary licenses or approvals could delay or prevent the development of our operations. Any changes in the regulations may require us to implement new quality controls and to invest in new equipment, which could increase our compliance costs. Any of these events could have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows. For example, asbestos inventories at some of our stores have revealed the presence of some asbestos applications in certain building materials, all non-friable. Although since 1993 we follow a proactive approach with regard to asbestos identification and remediation, the identification of additional asbestos materials and/or the implementation of more stringent rules related to asbestos removal, could increase our compliance costs significantly and could have a material adverse effect on our business.

We may also be subject to complaints and litigation from our customers, employees or other third parties, alleging health, environmental, safety or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations. These claims could represent an adverse financial effect and divert our financial and management resources from our core business, as well as have a material adverse effect on our reputation.

Changes in credit and debit card provider requirements or applicable regulations could adversely affect our business.

Since a substantial portion of our sales, including through our e-commerce channel, is made to customers who pay for their purchases with credit or debit cards rather than cash, we are exposed to a variety of risks associated with credit and debit cards. For credit and debit card payments, we pay interchange and other fees. These fees may increase over time and therefore increase our operating expenses and adversely affect our results of operations. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. We can also be subject to frauds and other crimes related to the unauthorized use of credit and debit card information of our clients, including through our e-commerce channel, that could harm our reputation and subject us to expensive and time-consuming litigation. Any failure to comply with applicable requirements or regulations may subject us to fines and higher transaction fees, the loss of our ability to accept credit and debit card payments from our customers or the cessation of payments from credit and debit card providers to us for purchases already made. We may also experience disruptions or other difficulties with credit card providers or electronic payment systems, which may cause difficulties for us and our customers. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Shop crime and fraud in our stores may adversely affect us.

We seek to prevent shop crime and fraud in our stores. Accordingly, in recent years we have invested significant amounts annually in training, security techniques, preventive measures and equipment, including through co-operative ventures with other retailers. We have security cameras and use retail security tags in our stores. Where appropriate, we also have security guards on site. We also monitor and analyze cash differences on a regular basis. Despite these efforts, shop crime and fraud continue as new methods of committing fraud continue to be developed, including those performed by our employees and third parties engaged by us. Fraud and other cyber crimes may also target our e-commerce platform. There can be no assurance that continued or expanded efforts to counteract this trend will be effective or that the cost of such efforts will not increase. The failure to control and reduce shop crime and fraud in a cost-effective manner could have a material adverse impact on our business, financial condition, results of operations and cash flows. In addition, any shop crime or fraud may give rise to litigation, which could be

time-consuming for our management team, costly and could have a material adverse effect on our reputation.

Use of social media may adversely impact our reputation or subject us to fines or other penalties.

There has been a marked increase in use of social media platforms and similar devices, including weblogs (blogs), social media websites and other forms of Internet-based communications which allow individual access to a broad audience of consumers and other interested persons. Consumers value readily available information concerning retailers, manufacturers and their goods and services and often act on such information without further investigation, authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is virtually limitless. Information concerning or affecting us may be posted on such platforms and devices at any time. Information posted may be inaccurate and adverse to us, and it may harm our business. The harm may be immediate without affording us an opportunity for redress or correction. Such platforms also could be used for the dissemination of trade secret information or compromise of other valuable company assets, any of which could harm our business.

We also use social media platforms as marketing tools. For example, we maintain Facebook and Twitter accounts. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our business or subject us to fines or other penalties.

We depend heavily on our information technology systems to operate our business.

Our business activities rely to a significant degree on the efficient and uninterrupted operation of our various computer and communications systems and those of third parties. These have been integrated to support process automation and detailed management information. We operate an integrated information technology platform between suppliers, distribution centers and all our stores. We have implemented an automated advance forecast and supply chain management system and our distribution centers are highly automated to facilitate fast and accurate store deliveries. In addition, our in-store and e-commerce operations, including our mobile and tablet applications, depend heavily on information technology systems.

Our systems are vulnerable to interruption from a variety of sources, many of which are not within our control, such as: power loss and telecommunications failures; software and hardware errors, failures, defects, or crashes; computer viruses and similar disruptive problems; cyber attacks on our network or damage to our business intelligence tools, software and systems carried out by hackers or Internet criminals; and the performance of third-party vendors. Delays or interruptions in the delivery of our products could result from unknown data, software or hardware defects, insufficient capacity or the failure of our website hosting, mobile and tablet applications and telecommunications vendors to provide continuous and uninterrupted service. Any significant breakdown of plant or equipment, accidents, such as a serious flood, fire and other natural disasters, or other significant disruption to the operations of our primary sites for all of our computer and communications systems could significantly affect our ability to manage our information technology systems. Our dependency on information technology systems exposes us to risks of hacking or piracy. Unanticipated information technology problems, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. Risks of network failure due to these disruptions can never be completely eliminated and the occurrence of such failures may reduce sales and harm our reputation.

In addition, we employ outsourcing arrangements with third parties, notably in our datacenter activities, and we do not control the facilities or operations of these third parties. An interruption of operations at our or their facilities or any failure by them to deliver on their contractual commitments may adversely affect us.

We expect that our information technology systems will require continuous enhancements and ongoing investments as we integrate and continue to improve them to manage our inventory. Our inability to integrate and upgrade these systems in a timely and cost-effective manner or the failure of these systems to adequately address our needs could have a material adverse effect on our business, financial condition and results of operations.

Failure to protect confidential information of our customers and network against security breaches could damage our reputation and brand and substantially harm our business and results of operations.

A significant challenge to the online retail industry is the secure storage of confidential information and its secure transmission over public networks. Some of the orders and some of the payments for products we offer are made through our website and mobile application. In addition, some online payments for our products are settled through third-party online payment services. We also share certain personal information about our customers with contracted third-party couriers, such as their names, addresses, phone numbers and transaction records. Maintaining complete security for the storage and transmission of confidential information on our technology platform, such as customer names, personal information and billing addresses, is essential to maintaining customer confidence.

We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals (including our employees) or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold as a result of our customers' visits to our website and use of our mobile application. Such individuals or entities obtaining our customers' confidential or private information may further engage in various other illegal activities using such information. In addition, we have limited control or influence over the security policies or measures adopted by third-party providers of online payment services through which some of our customers may elect to make payment for purchases. The contracted third-party couriers we use may also violate their confidentiality obligations and disclose or use information about our customers illegally. Any negative publicity on our website's or mobile application's safety or privacy protection mechanisms and policies, and any claims asserted against us or fines imposed upon us as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations.

Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet have recently come under increased public scrutiny. As online retail continues to evolve, we believe that increased regulation of data privacy on the internet is likely. The regulatory environment governing our use of individually identifiable data of customers, employees and others is complex, and we may become subject to new laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers, suppliers and distributors. We generally comply with industry standards and are subject to the terms of our own privacy policies. Compliance with any additional laws could be expensive, and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally, which may reduce the number of orders we receive on our e-commerce channel. Any of the foregoing factors could have a material adverse effect on our business, reputation, financial condition and results of operations.

Our operations and profitability could suffer if we experience labor relations problems.

Our employees are covered by individual labor agreements, and most of them are also covered by one-year collective labor agreements. We are a party to two collective labor agreements in the Netherlands, one of which is currently expired and for which we are negotiating an extension. We may not be able to reach satisfactory agreements, or the agreements may not be concluded without work stoppages or strikes or under the same or more favorable terms than the current labor agreements. New or renewed collective

labor agreements may, for example, oblige us to pay higher compensation to our employees or to comply with more burdensome and expensive labor requirements. We may also be unable to comply with current or new collective bargaining agreements, or be unable to negotiate collective bargaining agreements that comply with the applicable regulation while reflecting compliant covenants considering our operational and financial conditions, and face resulting litigation and regulatory restrictions. We have experienced work stoppages and strikes in relation to proposed negotiations in the past and we cannot assure you that there will be none in the future. A prolonged work stoppage or strike, or the entrance into less favorable collective labor agreements, could have an adverse effect on our business, financial condition, results of operations and cash flows. The inability to comply with collective labor agreements may have a material adverse effect on our reputation and harm our brand, affecting our sales and results.

Our employees are represented by a works council, which are employee-elected bodies that have various information, consultation and co-determination rights in the Netherlands. For example, they must be notified in advance of any employee layoffs, must consent to hirings and relocations of employees and are granted co-determination rights in social matters, such as work schedules and rules of conduct. Should significant industrial action or disruptive works council activity be taken by our employees in any of our businesses, we could experience a disruption of operations and increased costs which could have a material adverse effect on our business, financial condition and results of operations.

We compete with other retailers for good and dependable employees. The supply of such employees is limited and competition to hire and retain them results in higher labor costs. If labor costs continue to increase, including as a result of import restrictions, and we are unable to pass on such higher costs to our customers, our business, financial condition, results of operations and cash flows could be materially adversely affected.

We may not be able to recruit or retain key management and personnel.

Our success depends in part on the continued service of key members of our management team and on our ability to continue to attract, motivate and retain highly qualified employees. The successful implementation of our strategy depends on the availability of skilled management and personnel. If we were to lose one or more key senior executives and fail to replace them in a satisfactory manner, our business, financial condition, results of operations and cash flows may be materially adversely affected. In addition, our employment agreements do not contain non competition covenants from our employees after the termination of their relationship with us and we face the risk that our employees, including our key senior executives with important company knowledge, may seek and obtain employment with one of our competitors.

We may incur liabilities that are not covered by insurance.

We carry insurance of various types, including general liability, property coverage, product liability, product transportation and workers' compensation insurance. Given the diversity of locations and settings in which our employees provide services and the range of activities our employees engage in, we may not always be able to foresee accurately all activities and situations in order to ensure that they are fully covered by the terms of our insurance policies and as a result, we may not be covered by insurance in specific instances. While we seek to maintain appropriate levels of insurance, not all claims are insurable and we may experience major incidents of a nature that is not covered by insurance. For instance, we do not carry a full business interruption insurance for our business, including our distribution centers and industrial bakeries. Furthermore, the occurrence of several events resulting in substantial claims for damages in a calendar year may have a material adverse effect on our insurance premiums. Finally, our insurance costs may increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. We may not be able to maintain our current insurance coverage or do so at a reasonable cost, which could have an adverse effect on our business, results of operations and financial condition.

Currency fluctuations could materially adversely affect our earnings and cash flow.

Our international purchase activities expose us to foreign cash flow exchange risks. Part of our cost of sales is sourced in East Asia, exposing us to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar, the Hong Kong Dollar and, after Fiscal Year 2014, the Pound Sterling. Our business is subject to risks due to fluctuations in currency exchange rates. A substantial proportion of our purchases are paid for in U.S. Dollars and Hong Kong Dollars, with some purchases also

made in Pounds Sterling, while our sales are denominated mainly in Euros and we report our consolidated financial results in Euros. The exchange rate between the Euro and the U.S. Dollar, the Hong Kong Dollar and the Pound Sterling has fluctuated in recent years and may fluctuate significantly in the future. We could be adversely affected by future unfavorable shifts in currency exchange rates. Although we engage in foreign currency hedging, this may not adequately protect our operating results from the effects of exchange rate fluctuations or may limit any benefit that we might otherwise receive from favorable movements in exchange rates.

We may be required to increase our pension fund contributions.

In the Netherlands, all employees participate in the industry-wide pension fund for the retail trade industry (*Bedrijfstakpensioenfonds voor de Detailhandel*), which is based on average wage (*middeloonstelsel*). The scheme is effectively a defined contribution scheme and our total contributions for Fiscal Year 2013 were €12.7 million (Fiscal Year 2012: €11.7 million). This is the sum of all amount paid by the employer, which is two-thirds of the total premium of each employee, while the remainder is paid by the employee. In line with current market conditions affecting most Dutch pension schemes, the funding position of the pension fund for the retail trade industry is low at 112.1% (as of May 16, 2014). The required minimum level is 105%. The low funding position, together with other factors such as lower mortality rates and possible changes in other actuarial and financial assumptions determining the contribution level, may require us to increase our pension fund contributions in 2015 and beyond. If we are required to increase our cash contributions to the pension scheme, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Changes in accounting standards or interpretations issued by standard-setting bodies for IFRS may adversely affect our reported revenues, profitability and financial results.

Our financial statements are prepared in accordance with IFRS as adopted by the European Union. Although we believe that we comply with the appropriate regulatory requirements concerning our financial statements and disclosures, accounting principles are periodically revised and the application of accounting principles is subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by the relevant authoritative bodies, which may result on a negative impact on our net income and other financial measures. Significant changes have been proposed to how leases are accounted for under IFRS. Our annual rental expense under our operating leases, including sub-lease payments received (€4.3 million), was €83.1 million for the 52-weeks ending February 2, 2014. Accordingly, any such changes in lease accounting could have a material impact on our financial results, including our rental expense, depreciation, interest expense and balance sheet.

Risks Related to Our Financial Profile

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

We are, and following the issuance of the Notes, will continue to be, highly leveraged. As at February 2, 2014, after giving *pro forma* effect to the Refinancing, we would have had total third party borrowings outstanding with an aggregate principal amount of €740.8 million and up to €60 million available for borrowing under our Revolving Credit Facility Agreement, less approximately €3.3 million in outstanding and undrawn bank guarantees. See “*Capitalization*.”

The level of our indebtedness following the issuance of the Notes could have important consequences to us and the holders of the Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of interest on indebtedness, thereby reducing the availability of such cash flow for, and limiting the ability to obtain additional financing to fund, working capital, capital expenditure, acquisitions, joint ventures or other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage compared to our competitors, to the extent that they may not be as highly leveraged;
- limit our ability to borrow additional funds or raise equity capital in the future and increase the costs of any such additional capital; and
- restrict our ability to exploit certain business opportunities and pursue strategic acquisitions.

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

Some of our indebtedness, including the Senior Secured Floating Rate Notes, will bear interest at a floating rate that could rise significantly, increasing our interest cost and debt and reducing our cash flow.

Our debt under the Revolving Credit Facility Agreement will bear interest at a variable rate which is based on EURIBOR for Euro drawings and other applicable locally based interbank offered rates for loans denominated in other currencies, in each case plus an agreed margin. The Senior Secured Floating Rate Notes will also bear interest at a per annum rate equal to EURIBOR plus an agreement margin. Fluctuations in EURIBOR or other interbank offered rates or the occurrence of a Market Disruption Event (as defined in the Revolving Credit Facility Agreement) may increase our overall interest burden and could have a material adverse effect on our ability to service our debt obligations. Although we may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, we are not required to do so and there can be no assurance that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly our interest expense associated with the Senior Secured Floating Rate Notes and any drawings under the Revolving Credit Facility would correspondingly increase, thus reducing cash flow.

Despite our current indebtedness and restrictive covenants, we and our subsidiaries will still be able to incur significant additional amounts of debt or make certain restricted payments, which could further exacerbate the risks associated with our substantial leverage.

We may be able to incur substantial additional indebtedness in the future. Although the Indentures and the Revolving Credit Facility Agreement will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Indentures and the Revolving Credit Facility Agreement will not prevent us from incurring obligations that do not constitute indebtedness as such term is defined under those agreements. Moreover, although the Indentures and the Revolving Credit Facility Agreement will contain restrictions on our ability to make restricted payments, including the declaration and payment of dividends, we will be able to make substantial restricted payments under certain circumstances. Adding new debt to our and our subsidiaries' existing debt levels or making restricted payments could exacerbate the risks associated with our substantial leverage described above, including our possible inability to service our debt.

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

The Indentures and the Revolving Credit Facility Agreement will restrict, among other things, the ability of the Issuers and the Guarantors to:

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions or purchase or redeem stock;
- make investments or other restricted payments;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends;
- transfer or sell assets;
- engage in transactions with affiliates;

- create liens on assets to secure indebtedness;
- impair security interests; and
- merge or consolidate with or into another company.

Each of the covenants is subject to a number of important exceptions and qualifications. See “*Description of the Senior Secured Notes—Certain Covenants*,” “*Description of the Senior Notes—Certain Covenants*” and “*Description of Other Indebtedness—Revolving Credit Facility—Covenants*.” Despite these exceptions and qualifications, the covenants contained in the Indentures and the agreement governing the Revolving Credit Facility could materially affect our ability to operate our business and may limit our ability to react to market conditions, raise additional debt or equity financing to operate during general economic or business downturns, take advantage of potential business opportunities as they arise or grow in accordance with our strategy.

Our failure to comply with the covenants under the Revolving Credit Facility Agreement or the Indentures, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our financial condition, financial returns and results of operations.

The Revolving Credit Facility Agreement will require us to maintain a minimum EBITDA, as defined in the Revolving Credit Facility Agreement. See “*Description of Other Indebtedness—Revolving Credit Facility*.” Our ability to meet this financial requirement could be affected by deterioration in our operating results, as well as by events beyond our control, including decreases in collections and unfavorable economic conditions, and we cannot assure you that we will be able to meet this test.

Moreover, the Revolving Credit Facility Agreement includes certain events of default (such as breach of representations and warranties and cross-payment defaults) that are in addition to the events of default set forth in the Indentures. If an event of default occurs under the Revolving Credit Facility Agreement or any other of our debt instruments and is not cured or waived, borrowings under any other debt instruments that we have outstanding, including the Notes, that contain cross-acceleration or cross-default provisions may also be accelerated or become payable on demand, together with accrued and unpaid interest and other fees payable thereunder. In these circumstances, our assets and cash flow may not be sufficient to repay in full all of our indebtedness that has been accelerated, including the Notes then outstanding, which could force us into bankruptcy or liquidation. We might not be able to repay our obligations under the Notes in such an event.

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

Our ability to make payments on and to refinance our debt, to fund working capital, and to make capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends on the success of our business strategy and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these “*Risk Factors*,” many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that turnover growth, cost savings and operating improvements will be realized or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debt when due, including the Notes, or to fund our other liquidity needs. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*.”

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility Agreement) 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 (including brand investment) and any capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. If we cannot meet our debt obligations, the holders of our debt may accelerate

our debt and, to the extent such debt is secured, foreclose on our assets securing such debt. In such an event, we may not have sufficient assets to repay all of our debt. Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to obtain additional debt or increase our cost of borrowing. In addition, the terms of our debt, including the Indentures and the Revolving Credit Facility Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be sufficient.

A substantial amount of our total assets consists of intangible assets, including trademarks and goodwill, and we may be required to record significant charges to earnings if the recoverable value of such intangible assets recorded on our statement of financial position becomes impaired.

We have a substantial amount of intangible assets, which totaled €1.2 billion as of February 2, 2014. In accordance with IFRS, management must test for impairment of all our assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets subject to testing include goodwill and intangible assets such as the value of our trademark. In addition, management must test for impairment goodwill at least once a year whether or not there are any indicators of impairment. IFRS require us to recognize a non-cash charge in an amount equal to any impairment. As of February 2, 2014, intangible assets susceptible to impairment charges under IAS 36 Impairment of Assets comprised 66.0% of our total assets. Testing for impairment requires management to make various assumptions, including with respect to discount rates, our future rate of growth and inflation. If the assumed discount rate used for Fiscal 2013 increased 1.0%, we would have recognized an impairment loss of €72 million. Similarly, a 1.0% lower growth rate for the next five years would have led to an impairment loss of €47 million. Any future impairment of our goodwill or other intangible assets may result in material reductions of our income and equity under IFRS. This may have an adverse effect on our business, results of operations, financial condition and prospects.

Any impairment of our ability to draw funds under our Revolving Credit Facility Agreement could adversely and negatively impact our business operations.

Currently, our operations are primarily financed using cash generated in our operations and funds drawn from the Existing Senior Facilities and the Existing Mezzanine Facility. Following the completion of this offering and the application of the proceeds thereof, we will terminate the Existing Credit Facilities Agreements, which we will replace with the Revolving Credit Facility Agreement to service our general corporate and working capital needs and for various other purposes. Should we lose the ability to access our Revolving Credit Facility, we may not be able to pursue our growth plans, which would negatively impact sales generation, and consequently future cash flows. There also can be no assurance that we will have sufficient cash resources on hand at any given time to meet our expenses or debt servicing requirements. Our ability to draw on the Revolving Credit Facility depends on, among other things, our ability to maintain a minimum EBITDA level, and our ability to meet this financial requirement and other required conditions to drawing could be affected by a number of factors, including by events beyond our control. See “—Risks Related to Our Financial Profile—Our failure to comply with the covenants under the Revolving Credit Facility Agreement or the Indentures, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our financial condition, financial returns and results of operations.” This inability to implement our growth plans or to maintain our operations due to a lack of cash flow would materially and adversely affect our business.

Derivative transactions may expose us to unexpected risk and potential losses.

From time to time, we may be party to certain derivative transactions, such as our existing Euro to U.S. Dollar and Euro to Hong Kong Dollar forward contracts, as well as certain interest rate swaps, with financial institutions to hedge against certain financial risks. Changes in the fair value of these derivative financial instruments are not reported in income and are disclosed in the notes to our financial statements. Losses on short term derivative contracts will affect the financial period in which they unwind, which could materially affect our reported income in any period. Moreover, in light of current economic uncertainty and the potential for financial institution failures, we may be exposed to the risk that our counterparty in a derivative transaction may be unable to perform its obligations as a result of being placed in receivership or otherwise. In the event that a counterparty to a material derivative transaction is unable to perform its obligations thereunder, we may experience losses that could materially adversely affect our financial condition, financial returns and results of operations.

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

The Senior Secured Floating Rate Notes will bear interest at interest rates based on EURIBOR. Following allegations of manipulation of LIBOR, a different measure of inter-bank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR may have been manipulating or attempting to manipulate EURIBOR. Actions by EURIBOR-EBF (the association setting the regulatory framework for the calculation of EURIBOR), other regulators or law enforcement agencies could result in changes to the manner in which EURIBOR is determined. Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase or decrease in reported EURIBOR, which could have an adverse impact on the value of the Senior Secured Floating Rate Notes. Uncertainty as to the nature of such potential changes may adversely affect the trading market for EURIBOR based securities, including the Senior Secured Floating Rate Notes.

Risks Related to the Notes and the Notes Guarantees

Creditors under the Revolving Credit Facility Agreement, and potentially other obligations, are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes.

The obligations under the Senior Secured Notes and the Senior Notes are secured by security interests over the Senior Secured Notes Collateral and the Senior Notes Collateral, respectively. The Indentures also permit the Senior Secured Notes Collateral and the Senior Notes Collateral to be pledged to secure additional indebtedness in accordance with the terms thereof and the Intercreditor Agreement.

Pursuant to the Intercreditor Agreement, the liabilities under the Revolving Credit Facility Agreement will have priority over any amounts received from the sale of the Senior Secured Notes Collateral and the Senior Notes Collateral pursuant to an enforcement action taken with respect to the Senior Secured Notes Collateral or Senior Notes Collateral, as applicable. See “*Description of Other Indebtedness—Intercreditor Agreement.*” In addition, some additional obligations, such as certain hedging obligations, may be secured on the same basis.

As a result, in the event of any realization or enforcement of the Senior Secured Notes Collateral or the Senior Notes Collateral, you may not be able to recover on the Senior Secured Notes Collateral or Senior Notes Collateral, as applicable, if the then outstanding claims under the Revolving Credit Facility Agreement, or other instruments entitled to recover first from the proceeds of such realization or enforcement, are greater than the proceeds realized.

The Issuers have no material assets or sources of revenue and will depend on payments from the Company pursuant to the proceeds loans to fund their payment obligations under the Notes and Notes Guarantees.

The Issuers are finance subsidiaries of the Parent and were formed in connection with the issuance of the Notes. The Issuers conduct no business or revenue-generating operations of their own and will have no material assets other than their interests in the respective Notes Proceeds Loans. The Issuers’ ability to make payments pursuant to the Notes and Notes Guarantees is dependent on the payments they receive pursuant to the Notes Proceeds Loans. If the Company does not make payments under the Notes Proceeds Loans for whatever reason, the Issuers do not expect to have any other sources of funds available to them that would permit them to make payments pursuant to the Notes or Notes Guarantees. In such circumstances, Holders would have to rely upon claims for payment under the Notes Guarantees and on all available security. Such payments are subject to the risks and limitations described herein.

The ability of the Company to make payments pursuant to the Notes Proceeds Loans is partially dependent on the cash flows received through upstream loans or distributions from its operating subsidiaries. The ability of these subsidiaries to make such 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 Indentures governing the Notes will not include any restrictions on amending or prepaying any of the inter-company loans between the Company or any of its subsidiaries. As a result, the initial amount of such 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 Issuers with sufficient cash for the Issuers to be able to meet their respective obligations under the Notes.

The Senior Notes Guarantees will be subordinated to our existing and future senior indebtedness.

The Senior Notes Guarantees will be senior subordinated obligations of the Senior Notes Guarantors. Accordingly, each Senior Notes Guarantee will:

- be subordinated in right of payment to all the Senior Notes Guarantors' existing and future senior indebtedness;
- be senior in right of payment to all existing and future indebtedness of such Senior Notes Guarantor that is expressly subordinated to the Senior Notes Guarantees;
- be effectively subordinated to any secured indebtedness and other secured obligations of such Senior Notes 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 Senior Notes 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 Senior Notes Guarantor that is not itself a Senior Notes Guarantor.

Upon any distribution to the creditors of a Senior Notes Guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of such Senior Notes Guarantor, the holders of senior indebtedness of such Senior Notes Guarantor will be entitled to be paid in full before any payment may be made with respect to its Senior Notes Guarantee. As a result, holders of the Senior Notes may receive less, ratably, than the holders of senior indebtedness of the Senior Notes Guarantors, including the lenders under our Revolving Credit Facility and holders of the Senior Secured Notes.

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

The interest of holders of the Senior Notes in the Senior Notes Collateral securing the obligations of the Senior Notes Issuer and the Senior Notes Guarantors under the Senior Notes and the Senior Notes Guarantees will be granted on a basis junior to the Revolving Credit Facility, certain hedging obligations, the Senior Secured Notes and the Senior Secured Notes Guarantees. Holders of the Senior Notes may not be able to recover on the assets that are pledged or assigned because the creditors under the Revolving Credit Facility, such hedging obligations and the Senior Secured Notes will have a prior claim on all proceeds realized from any enforcement of such pledges and any enforcement sale with respect to the Senior Notes Collateral, and holders of the Senior Notes will need to share any remaining proceeds from such enforcement with any other secured creditor. If the proceeds realized from the enforcement of such pledges or such sale or sales exceed the amount owed under the Revolving Credit Facility, certain hedging obligations and the Senior Secured Notes, any excess amount of such proceeds will be paid to the Trustee for the benefit of the holders of the Senior Notes. If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Senior Notes, the holders of the Senior Notes will not fully recover (if at all) from the Senior Notes Collateral.

Holders of the Notes may not control certain decisions regarding the Collateral.

The same Collateral securing the Notes will also secure the obligations under our Revolving Credit Facility. In addition, under the terms of the Notes, in respect of the Indentures, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral.

As a result of the voting provisions set forth in the Intercreditor Agreement, certain amendments and waivers and other actions under the Intercreditor Agreement and in relation to the Collateral will have to be consented to by the required majority of holders of the Senior Secured Notes, the required majority of holders of any *pari passu* additional senior indebtedness and the required majority of "super senior creditors" (being, in respect of the Senior Secured Notes, the agent and the lenders under the Revolving Credit Facility) and, in certain circumstances, the majority of holders of the Senior Notes and the required majority of holders of any *pari passu* additional junior indebtedness. The required majority will vary with the type of amendment or waiver being sought. See "*Description of Other Indebtedness—Intercreditor Agreement.*" The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Revolving Credit Facility, the Notes and certain additional indebtedness with respect to the Collateral. The Security Agent will act with respect to the Collateral only at the direction of the "Instructing Group."

A proposal to deliver enforcement instructions in relation to security over the Senior Secured Notes Collateral triggers, except in certain circumstances, a 30-day consultation period among representatives of senior creditors sharing in the Senior Secured Notes Collateral, including the Trustee on behalf of the holders of the Senior Secured Notes and the agent on behalf of the lenders under the Revolving Credit Facility. Upon conclusion of the consultation period, if there are conflicting enforcement instructions given to the Security Agent by the different classes of senior creditors, which are secured by the same Senior Secured Notes Collateral and who can constitute the Instructing Group, then provided those instructions are consistent with the Intercreditor Agreement and Security Documents, the enforcement instructions from the holders of the Senior Secured Notes will prevail. However, in certain circumstances (where the super senior creditors have not been fully repaid within six months of the Senior Secured Notes Collateral enforcement instructions being issued, or if no steps have been taken as to enforcement by the Security Agent within three months of the enforcement instructions being issued or if an insolvency event has occurred and the Security Agent has not commenced any enforcement action), the instructions of the super senior creditors will then prevail.

Disputes may occur between the holders of the Senior Secured Notes and the holders of *pari passu* additional debt or lenders under the Revolving Credit Facility, as applicable, as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the Senior Secured Notes Collateral. In such an event, the holders of the Senior Secured Notes may be bound by any decisions of the holders of the *pari passu* additional indebtedness or, in respect of the Senior Secured Notes, lenders under the Revolving Credit Facility, if the circumstances are such that the instructions of such creditors prevail, which may result in enforcement action in respect of the Senior Secured Notes Collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders. The creditors under the Revolving Credit Facility or any *pari passu* additional indebtedness may have interests that are different from the interests of holders of the Notes and they may elect to pursue their remedies under the Security Documents at a time when or in a manner which would otherwise be disadvantageous for the holders of the Notes to do so. See “*Description of Other Indebtedness—Intercreditor Agreement*,” “*Description of the Senior Secured Notes—Security—Release of Liens*” and “*Description of the Senior Notes—Security—Release of Liens*.”

No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Notes Guarantees and such security may not be sufficient to satisfy the obligations under the Notes and the Notes Guarantees.

The Senior Secured Notes Issuer’s obligations under the Senior Secured Notes will be secured only by the Senior Secured Notes Collateral and the Senior Notes Issuer’s obligations under the Senior Notes will be secured only by the Senior Notes Collateral. See “*Description of the Senior Secured Notes—Security*” and “*Description of the Senior Notes—Security*” for a detailed description of the Collateral.

No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. There is no guarantee that the value of the Collateral will be sufficient to enable the Issuers to perform their obligations under the Notes. There is no requirement to provide funds to enhance the value of the Collateral if it is insufficient. The proceeds of any sale of the Collateral following an event of default with respect to the Notes may not be sufficient to satisfy, and may be substantially less than, amounts due on the Notes.

The amount of proceeds realized upon the enforcement of the security interests over the Collateral or in the event of liquidation will depend upon many factors, including, among others, general market and economic conditions, the condition of the market for the Collateral, the ability to sell the Collateral in an orderly sale, the fair value of the Collateral, the timing and manner of the sale, whether or not our business is sold as a going concern, the ability to readily liquidate the Collateral, the availability of buyers and the condition of the Collateral, as applicable. Further, there may not be any buyer willing and able to purchase our business as a going concern, or willing to buy a significant portion of its assets in the event of an enforcement action.

The value of the Collateral may be subject to significant changes in value due to economic or regulatory trends. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. Portions of the Collateral may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of this Collateral will be sufficient to pay our obligations under the Notes.

By its nature, some or all the Collateral may not have a readily ascertainable market value or may not be saleable or, if saleable, there may be substantial delays in its disposal. To the extent that liens, security interests and other rights granted to other parties encumber assets owned by the Issuers or the Guarantors, as applicable, those parties have or may exercise rights and remedies with respect to the property subject to their liens, security interests or other rights that could adversely affect the value of that Collateral and the ability of the Security Agent or investors as holders of the Notes to realize or enforce that Collateral. If the proceeds of any sale of Collateral are not sufficient to repay all amounts due on the Notes, the Notes Guarantees, investors (to the extent not repaid from the proceeds of the sale of the Collateral) would have only an unsecured claim against the Issuers' and the Guarantors' remaining assets, as applicable. Each of these factors or any challenge to the validity of the Collateral or the intercreditor arrangement governing the rights of the creditors of the Issuers could reduce the proceeds realized upon enforcement of the Collateral. In addition, there can be no assurance that the Collateral could be sold in a timely manner, if at all. Proceeds from enforcement sales of capital stock and assets that are part of the Collateral must first be applied in satisfaction of obligations under the Revolving Credit Facility Agreement and certain hedging obligations pursuant to the Intercreditor Agreement and thereafter towards application to fully repay on a *pari passu* basis the obligations of the Issuers and the Guarantors under the Senior Secured Notes, and then to repay on a *pari passu* basis the obligations of the Senior Notes Issuer and the Guarantors under the Senior Notes. In addition, the Indentures will allow incurrence of certain additional permitted debt in the future that is secured by the Collateral on a priority or *pari passu* basis. The incurrence of any additional debt secured by the Collateral would reduce amounts payable to you from the proceeds of any sale of the Collateral.

To the extent that any other first priority and pre-existing security interests permitted under the Revolving Credit Facility Agreement and the Indentures and other rights encumber the Collateral securing the Notes, those parties may have or may exercise rights and remedies with respect to the Collateral that could adversely affect the value of the respective collateral and the ability of the Security Agent to realize or foreclose on the Collateral.

The Issuers and the Guarantors will have control over the Collateral, and the sale of particular assets could reduce the pool of assets securing the Senior Secured Notes.

The Security Documents will, subject to the terms of the Revolving Credit Facility Agreement and the Indentures, allow the Issuers and the Guarantors to remain in possession of, retain control over, freely operate, and collect, invest and dispose of any income from the Collateral. So long as no default or event of default under the Revolving Credit Facility Agreement or the Indentures is occurring or would result therefrom, the Issuers and the Guarantors, may, among other things, without any consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

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

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

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over personal property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

The value of the Collateral may decrease because of obsolescence, impairment or certain casualty events.

The value of the properties that we own or lease and the assets serving as Collateral may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to these properties. Although the Security Documents will contain certain covenants in relation to the maintenance and preservation of assets, we will not be required to improve the Collateral. We will be obliged under the Security Documents to maintain insurance with respect to the Collateral, but the proceeds of such insurance may not be sufficient to rebuild or restore such properties to their original condition prior to the occurrence of the events that caused the insured damages. Those insurance policies will most certainly not cover all the events that may conceivably result in damage to the Collateral.

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

The security interests in the Collateral that will secure the obligations of the Issuers under the Notes and the obligations of the Senior Secured Notes Guarantors under the Senior Secured Notes Guarantees will not be granted directly to the holders of the Notes, but will be granted only in favor of the Security Agent. The Indentures and the Intercreditor Agreement will provide that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee subject to the terms of the Intercreditor Agreement, who will (subject to the provisions of the Indentures) provide instructions to the Security Agent in respect of the Collateral. The ability of the beneficial owners of the Notes and the Security Agent to enforce the Security may be subject to limitations in certain jurisdictions as set forth under “*Description of the Senior Secured Notes—Security—Enforcement of Security Interest*,” “*Description of the Senior Notes—Security—Enforcement of Security Interest*” and “*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests*.”

Security over certain Collateral will not be perfected on the Issue Date, and the rights of holders of Notes may be adversely affected by the failure to perfect security interests on the Collateral.

Certain security will not be perfected on the Issue Date. We are obliged, pursuant to the Security Documents, to take certain perfection steps as promptly as practicable following the Issue Date in respect of the Collateral held at that date, and as promptly as practicable following receipt of a request by the Security Agent in respect of such Collateral subject to the Security Documents acquired after the Issue Date. In addition, certain security pledged in support of the Existing Credit Facilities may not be fully released on the Issue Date until the completion of certain formalities shortly thereafter. Any hardening period under insolvency law with respect to any security will not commence until such security has been perfected.

The Security Agent will have no obligation to perfect or take actions required to perfect any of the security interests unless directed by the secured parties in accordance with the terms of the Security Documents and the Intercreditor Agreement.

Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability.

The security interests in the Collateral may be subject to claims that it should be limited or subordinated in favor of our existing and future creditors under Dutch, Belgian or other applicable law. In addition, enforcement of the security will be limited to the extent of the amount which can be secured by the Issuers and the Guarantors without rendering the security voidable or otherwise ineffective under applicable law. Enforcement of the security against the Issuers and the Guarantors will be subject to certain defenses available to security providers generally. These laws and defenses include those that relate to insolvency, voidable preference, financial assistance, corporate purpose or benefit, the preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. See “*Limitation on Validity and Enforceability of the Notes Guarantees and Security Interests*.”

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

The Senior Notes Guarantees will be senior subordinated obligations of the Senior Notes Guarantors and each will rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of the Senior Notes Guarantors.

In addition, no enforcement action with respect to the Senior Notes Guarantees (or any future guarantee of the Senior Notes, if any) may be taken unless (subject to certain limited exceptions) (i) there is an event of default on the Senior Notes outstanding after a period of 30 days after the date on which the Senior Notes Trustee delivers written notice of such default to the Senior Agent and the Senior Secured Notes Trustee, (ii) the expiry of any other standstill period outstanding at the date the standstill period referred to in (i) above commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy) or (iii) the majority of the senior secured creditors have given their consent to the proposed action. See *“Description of Other Indebtedness—Intercreditor Agreement.”*

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

As at February 2, 2014, after giving effect to the Refinancing, we would have had an aggregate principal amount of outstanding financial liabilities that ranked senior to the Senior Notes and Senior Notes Guarantees of €590.8 million and up to €60 million would have been available for borrowing under the committed and undrawn portion of the Revolving Credit Facility (less approximately €3.3 million in outstanding and undrawn bank guarantees which we expect to roll over into the Revolving Credit Facility). See *“Capitalization.”*

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

As opposed to the Revolving Credit Facility Agreement and the Senior Secured Notes, no securities over the assets of the Company or the Senior Notes Guarantors and no securities over the capital stock of the Guarantors (other than the Company), will be granted in favor of the Senior Notes. Accordingly, each Senior Notes Guarantee will be effectively subordinated to its obligations with respect to the Revolving Credit Facility Agreement, the Senior Secured Notes and any other secured indebtedness and obligations of the Senior Notes Guarantors to the extent of the value of such additional security. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any Senior Notes Guarantor that has any such secured obligations, holders of such secured indebtedness will have prior claims to the assets of such Senior Notes Guarantor that constitute their collateral. Accordingly, the holders of the Senior Notes will participate ratably with all holders of the unsecured indebtedness of the relevant Senior Notes Guarantor (other than indebtedness to which the Senior Notes Guarantees have been expressly subordinated) and, potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Senior Notes Guarantor. In the event that any of the secured indebtedness of the relevant Senior Notes Guarantor becomes due or the creditors thereunder proceed against the operating assets that secured such indebtedness, the assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Senior Notes Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of secured indebtedness of the relevant Senior Notes Guarantor.

As at February 2, 2014, after giving effect to the Refinancing, we would have had an aggregate principal amount of €590.8 million of secured financial liabilities and up to €60.0 million would have been available for additional borrowings under the committed and undrawn portion of the Revolving Credit Facility (less approximately €3.3 million in outstanding and undrawn bank guarantees which we expect to roll over into the Revolving Credit Facility). We will be permitted to borrow substantial additional indebtedness, including senior debt, in the future, under the terms of the Indentures.

The interests of holders of Senior Secured Notes may be inconsistent.

The Senior Secured Floating Rate Notes and the Senior Secured Fixed Rate Notes will be issued pursuant to a single indenture and will vote as a single class with respect to amendments, waivers or other

modifications of the Senior Secured Notes Indenture other than with respect to amendments, waivers or other modifications that will only affect the Senior Secured Floating Rate Notes or the Senior Secured Fixed Rate Notes, as the case may be. The Senior Secured Floating Rate Notes will bear interest at a floating rate, will have a different call schedule and call protection and will have other features that will differ from the Senior Secured Fixed Rate Notes. As a result of these differences, the interests of holders of the Senior Secured Notes could conflict. For example, the holders of one series of Senior Secured Notes may be in a position to agree to certain terms in a consent solicitation that would be beneficial to such series of Senior Secured Notes but adverse to the economic interest of the other series of Senior Secured Notes; however, under certain circumstances, to the extent an amendment or waiver is approved by the holders of a majority in aggregate principal amount of Senior Secured Notes under the Senior Secured Notes Indenture, all holders of Senior Secured Notes will be bound by such amendment or waiver.

Risks Related to Our Structure

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

At the Issue Date, the Issuers, the Company and certain of its subsidiaries will guarantee the Notes. However, under various circumstances, the Notes Guarantees may be released and newly incorporated subsidiaries of the Issuers or the Company may not be required to guarantee the Notes. See “*Description of the Senior Secured Notes*” and “*Description of the Senior Notes*.” Unless a subsidiary of the Company is a Guarantor, such subsidiary will not have any obligations to pay amounts due under the respective Notes or to make funds available for that purpose. Generally, holders of indebtedness of, and trade creditors of, non-Guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such companies before these assets are made available for distribution to any Guarantor, as a direct or indirect shareholder.

Accordingly, in the event that any non-Guarantor subsidiary becomes insolvent, is liquidated, reorganized or dissolved or is otherwise wound up other than as part of a solvent transaction:

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

As such, the Notes and each Notes Guarantee will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of any non-Guarantor subsidiaries. In addition, the Company has issued declarations in accordance with article 403 of the Netherlands Civil Code for all its Dutch subsidiaries, and as a consequence the Company is jointly and severally liable for all debts of those subsidiaries, including those which may not guarantee the Notes. In addition, the Company has issued declarations in accordance with article 403 of the Netherlands Civil Code for all its Dutch subsidiaries, and as a consequence, the Company is jointly and severally liable for all debts of those subsidiaries, including those who may not guarantee the notes.

The interests of our controlling shareholder may differ from the interests of the holders of the Notes.

Lion Capital indirectly beneficially own approximately 99.48% of the equity of the Issuers and the Company. As controlling shareholder of the Issuers and the Company, Lion Capital is able to control matters requiring shareholder approval, including the election and removal of directors, corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of Lion Capital may differ from yours in material respects. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of Lion Capital, as ultimate majority shareholder, may be in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you as a holder of Notes. Lion Capital has no contractual obligations to fund our business and may not have sufficient liquidity to fund our business if we require additional funding. Additionally, the Indentures permits us to pay advisory fees, dividends or make other restricted payments under certain circumstances, and Lion Capital may have an interest in our doing so.

Additionally, Lion Capital and its affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with us, or with which we conduct business. Lion Capital and its affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be

available to us. You should consider that the interests of these holders may differ from yours in material respects. See “Principal Shareholder” and “Description of Certain Related Party Transactions.”

The Company depends partially on the revenues generated by its subsidiaries.

HEMA, though it is also an operating company, is a holding company of the other entities of the group and its results are partially dependent upon payments from its subsidiaries to meet its obligations, including its obligations under the Notes. In Fiscal Year 2013, 18% of HEMA’s net sales were generated by its subsidiaries.

The amounts available to HEMA and from the other relevant members of the group will depend on the profitability and cash flows of such members of the group and the ability of such members to make payments to HEMA under the applicable law or the terms of any financing agreements or other contracts that may limit or restrict their ability to pay such amounts. The terms of the Intercreditor Agreement also restrict certain intra-group payments. In addition, the members of the group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

We may not be able to obtain the funds required to repurchase the Notes upon a change of control.

The Indentures will contain provisions relating to certain events constituting a “change of control.” Upon the occurrence of certain change of control events (subject to certain exceptions), we will be required to offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control event were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuers to pay the purchase price of the outstanding Notes or that the restrictions in our Revolving Credit Facility Agreement, the Intercreditor Agreement or our other then-existing contractual obligations would allow us to make such required repurchases. A change of control is a mandatory prepayment event under our Revolving Credit Facility Agreement, and a change of control may result in an event of default under, or acceleration of our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require its mandatory prepayment under the Revolving Credit Facility Agreement may not constitute a change of control under the Notes. The ability of the Issuers to receive cash from the Company, and the ability of the Company to make such payments, in order for the Issuers to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. In addition, under the terms of the Revolving Credit Facility Agreement, under certain circumstances, we are required to repay a proportionate amount of debt under our Revolving Credit Facility Agreement if we repay all or a portion of the principal under the Notes. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control event occurs at a time when the group is prohibited from providing funds to the Issuers for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuers will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that the group would be able to obtain such financing. Any failure by the Issuers to offer to purchase the Notes would constitute a default under the Indentures, and to the extent the Trustee becomes entitled to declare the Notes as being due and payable would constitute an event of default under the Revolving Credit Facility Agreement. See “Description of the Senior Secured Notes—Change of Control,” and “Description of the Senior Notes—Change of Control.”

The change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “change of control” as defined in the Indentures. In addition, in certain circumstances a change of control would be deemed not to have occurred if a certain pro forma leverage test is met. Except as described under “Description of the Senior Secured Notes—Change of Control,” and “Description of the Senior Notes—Change of Control” the Indentures will not contain provisions that would require the Issuers to offer to repurchase or redeem the relevant Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “Change of Control” in the Indentures will include a disposition of all or substantially all the assets of the Company and its restricted subsidiaries (if any), taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no established precise definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the Issuers’ assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuers are required to make an offer to repurchase the Notes.

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

The Issuers, the Company and all of the Guarantors and their respective subsidiaries are organized outside the U.S., and all of the group’s business is conducted entirely outside the U.S. The directors and executive officers of the Issuers, the Company and all of the Guarantors are not residents of the U.S. Although the Issuers, the Company and all of the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws under the Indentures, you may be unable to effect service of process within the U.S. on the directors and executive officers of the Issuers, the Company and the Guarantors. In addition, because all the assets of the Issuers, the Company, all of the Guarantors and their respective subsidiaries and all or a majority of the assets of their directors and executive officers are located outside of the U.S., you may be unable to enforce against them judgments obtained in the U.S. courts. See “*Service of Process and Enforcement of Civil Liabilities.*”

The U.S. and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. 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, in practice, be able to enforce in the Netherlands judgments in civil and commercial matters obtained from U.S. federal or state courts. No assurance however, can be given that those judgments will be enforceable. There is doubt as to whether courts of the Netherlands will uphold judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state within the United States. 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 laws.

Recovery in civil proceedings, ability to effect service of process and the recognition and enforceability of judgments against Guarantors organized in jurisdictions other than the Netherlands are also subject to qualifications and local applicable law. See “*Service of Process and Enforcement of Civil Liabilities.*”

Dutch insolvency laws and the insolvency laws of other jurisdictions may provide you with less protection than U.S. bankruptcy law.

We are incorporated under the laws of the Netherlands. The Guarantors are incorporated under the laws of the Netherlands and Belgium. Any insolvency proceedings by or against us or any of the Guarantors would likely be based on the insolvency laws of the jurisdiction of incorporation of the relevant entity and not of the United States. In the event we or any Guarantor experience financial difficulty no prediction can be made as to which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or as to the outcome of such proceedings. Any enforcement of the Guarantees of the Notes after bankruptcy or an insolvency event in such other jurisdictions will be subject to the insolvency laws of the relevant entity’s jurisdiction of incorporation or other jurisdictions. The insolvency and other laws of each of these jurisdictions may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar. The insolvency and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any

conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes Guarantees in these jurisdictions and limit any amounts that you may receive. See *"Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests."*

The Notes and the Notes Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.

Generally, a court could subordinate or void the Notes or the Notes Guarantees under various corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws or regulations affecting the rights of creditors generally if, at the time the Notes were issued or one of the Guarantors entered into a Notes Guarantee:

- the relevant Issuer incurred the debt under the Notes or any of the Guarantors incurred a Notes Guarantee with the intent to hinder, delay or defraud any present or future creditor, favored one or more creditors to the detriment of others in the event of insolvency or the relevant Issuer or a Guarantor subsequently entered an insolvency process (a "preference") and this Issuer or a Guarantor was insolvent or became insolvent as a result of issuing the Notes or such Notes Guarantee;
- the relevant Issuer or a Guarantor did not receive fair consideration or reasonably equivalent value in money or money's worth for issuing the Notes or the Notes Guarantee and the relevant Issuer or a Guarantor subsequently entered an insolvency process (an "undervalue") and this Issuer or a Guarantor was insolvent or became insolvent as a result of issuing the Notes or such Notes Guarantee; or
- the relevant Issuer or a Guarantor incurred debts beyond its ability to pay those debts as they matured.

The Issuers, the Company and the Guarantors are organized under the laws of the Netherlands and other jurisdictions. Applicable fraudulent transfer and conveyance and insolvency laws, equitable principles and, limitations on the enforceability of judgments obtained in courts in such jurisdiction, could limit the enforceability of the relevant Notes Guarantee against a Guarantor or the enforceability of the security interests in the Collateral subject to such other regulations. Furthermore, particular jurisdictions differ in respect of other applicable laws that could impact the enforceability of a Notes Guarantee and the Collateral (or the extent of such Notes Guarantee or Collateral), such as laws concerning financial assistance, preservation of share capital, thin capitalization, corporate purpose or benefit or other similar laws. See *"Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests."*

Enforcing your rights as a holder of the Notes or under the guarantees or security across multiple jurisdictions may prove difficult.

The Notes will be issued by the Issuers, which are incorporated under the laws of the Netherlands, and the Notes will be guaranteed by the Guarantors, which are incorporated or organized under the laws of the Netherlands and other jurisdictions. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in the Netherlands and such other jurisdictions. Proceedings could also be initiated in the Netherlands or other countries to enforce your rights against Collateral located there. Such multijurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes, the Guarantees and the Collateral will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

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

Moreover, in certain jurisdictions, it is unclear whether all security interests in the Collateral give the Security Agent a right to prevent other creditors from foreclosing on and realizing the Collateral or whether certain security interests only give the Security Agent and the holders of the Senior Secured Notes priority (according to their rank) in the distribution of any proceeds of such realization. Accordingly, the Security Agent and the holders of the Notes may not be able to avoid foreclosure by other creditors (including unsecured creditors) on the Collateral.

The laws of certain of the jurisdictions in which the Guarantors are incorporated or organized limit the ability of these subsidiaries to guarantee debt of, or provide security for, other companies. See “*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests.*”

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically and under which the Notes Guarantees will be released automatically, without your consent or any action on the part of the Trustee.

Under various circumstances, Collateral securing the Notes and the Notes Guarantees will be released automatically, including the following:

- upon release of a Notes Guarantee (with respect to the lien securing such Notes Guarantee);
- subject to certain conditions, in connection with any disposition of Collateral, other than to the Issuers, the Company or any of its restricted subsidiaries, permitted by the Indentures;
- if the Issuers designate any Guarantor to be an unrestricted subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture and Senior Notes Indenture, the release of the property, assets and capital stock of such unrestricted subsidiary;
- in connection with certain enforcement actions as provided under the Intercreditor Agreement; and
- as may be permitted by the covenant described under “*Description of the Senior Secured Notes—Certain Covenants—Impairment of Security Interest*” and “*Description of the Senior Notes—Certain Covenants—Impairment of Security Interest.*”

In addition, under various circumstances, the Notes Guarantees will be released automatically, including the following:

- in the case of a Notes Guarantee of a Guarantor, a sale or other disposition (including by way of consolidation or merger) of capital stock of the relevant Guarantor or of a parent thereof, such that such Guarantor ceases to be a restricted subsidiary, or the sale or disposition of all or substantially all the assets of the relevant Guarantor (other than to the Issuers or a restricted subsidiary), in each case in a transaction otherwise permitted by the Senior Secured Notes Indenture and Senior Notes Indenture;
- in the case of a Notes Guarantee of a Guarantor, the designation in accordance with the Indentures of the relevant Guarantor as an unrestricted subsidiary;
- defeasance or discharge of the Notes, as provided in “*Description of the Senior Secured Notes—Defeasance,*” “*Description of the Senior Notes—Defeasance,*” “*Description of the Senior Secured Notes—Satisfaction and Discharge*” and “*Description of the Senior Notes—Satisfaction and Discharge;*” or
- in the case of a Notes Guarantee (other than a Notes Guarantee of a Guarantor issued on the Issue Date), in certain cases upon the release of certain other guarantees by such entity.

We are a part of a fiscal unity for corporate income tax purposes, which could expose us to an additional cost and may therefore affect our ability to repay the Notes.

We are part of a fiscal unity (*fiscale eenheid*) for Dutch corporate tax (*vennootschapsbelasting*) purposes which has Dutch Lion Coöperatief U.A. as head of the fiscal unity (the “*HEMA Fiscal Unity*”). Consequently, we, and each of the members of the HEMA Fiscal Unity, are jointly and severally liable for any Dutch corporate tax due by the HEMA Fiscal Unity. The fact that we are a part of a fiscal unity could expose us to an additional cost, which may therefore affect the Issuers’ ability to repay the Notes. As of February 2, 2014, the HEMA Fiscal Unity is expected to have tax loss carryforwards available in the amount of approximately €18.0 million. This tax loss can be carried forward nine years under current legislation, thus reducing the HEMA Fiscal Unity’s corporate tax liabilities.

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

The Notes will be denominated and payable in Euros. If investors measure their investment returns by reference to a currency other than Euros, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of Euros relative to the currency by reference to which such investors measure the return on their investments. These changes may be due to economic, political and other factors over which we have no control. Depreciation of Euros against the currency by reference to which such investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which such investors measure the return on their investments.

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

We cannot assure you as to:

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

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

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

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 credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by 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.

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

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. See "Notice to Investors." It is the obligation of holders of the Notes to ensure that their

offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global Notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered Notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book-entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of Notes under the Indentures.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuers' solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form.*"

Payments under the Notes may be subject to withholding tax under the European Union Directive on the taxation of savings income.

The European Union has adopted Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "*Savings Directive*"). The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to (or for the benefit of) an individual or to certain other persons in another Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. On March 18, 2014, the Luxembourg government has submitted to the Luxembourg Parliament the draft law No. 6668 replacing the withholding tax system as from January 1, 2015 by the automatic exchange of information system under the Savings Directive.

On March 24, 2014, the European Council adopted a European Union Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Savings Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Savings Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by January 1, 2016 (which national legislation must apply from January 1, 2017). Investors who are in any doubt as to their position should consult their professional advisors.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers will undertake to maintain a Paying Agent with a specified office in a

Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000.

If certain changes to tax law were to occur, we would have the option to redeem the Notes.

If certain changes in the law of any Relevant Tax Jurisdiction (as defined under “*Description of the Senior Secured Notes—Withholding Taxes*,” and “*Description of the Senior Notes—Withholding Taxes*”) become effective that would impose withholding taxes or other deductions on the payments on the Notes or the Notes Guarantees, we may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and Additional Amounts, if any, to the date of redemption. We are unable to determine whether such a change to any tax laws will be enacted. See “*Description of the Senior Secured Notes—Redemption for Taxation Reasons*” and “*Description of the Senior Notes—Redemption for Taxation Reasons*.”

The Issuers may be required to obtain a banking license in the Netherlands as a result of issuing the Notes, which could have a material adverse effect on them.

The Council Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms, which amended Regulation (EU) No 648/2012 (the “CRR”) took effect on January 1, 2014. There is uncertainty regarding how certain key definitions in the CRR will be defined. If such provisions are not defined in a manner that is consistent with current Dutch national guidance on which we rely, the Issuers could be categorized as “credit institutions” as a consequence of issuing the Notes, if it is deemed to be “an undertaking the business of which is to receive deposits or other repayable funds from the public and to grant credits for its own account.” If so categorized, the Issuers would be required to obtain a banking license in the Netherlands. There is limited official guidance at the European Union level as to the key elements of the definition of “credit institution,” such as the concepts of “repayable funds” and “the public.” The Netherlands government has indicated that, as long as there is no guidance at the European Union level, it is expected that the current Dutch national interpretation of these key elements may continue to be taken into account for the interpretation of what constitutes a credit institution. We rely, *inter alia*, on this national guidance to reach the conclusion that a requirement to obtain a banking license is not triggered by notes issued in denominations equal to or greater than (the equivalent of) €100,000. If European guidance is published on what constitutes “the public” in relation to this regulation, and such guidance does not provide that the holder of a Note is not considered part of “the public” and the current national interpretation of these concepts is not considered to be included in such definition, the Issuers may be required to obtain a banking license. If the Issuers are required to obtain a banking license, it could have a material adverse effect on them.

USE OF PROCEEDS

We intend to use the gross proceeds from this offering, together with cash on hand and drawings under the Revolving Credit Facility, to repay in full our borrowings under the Existing Senior Facilities and the Existing Mezzanine Facility and to pay the fees and expenses associated with the Refinancing, including discounts and other commissions, advisory and other professional fees and other transaction costs.

The following table sets forth the estimated sources and uses of the proceeds from this offering. Actual amounts will vary from the estimated amounts presented depending on several factors, including differences from the estimate of fees and expenses and outstanding principal and accrued interest upon repayment.

Sources	(in millions of €)	Uses	(in millions of €)
Senior Secured Floating Rate Notes offered hereby	250.0	Repayment of the Existing Senior Facilities ⁽²⁾	614.0
Senior Secured Fixed Rate Notes offered hereby	315.0	Repayment of the Existing Mezzanine Facility ⁽²⁾	170.3
Senior Notes offered hereby	150.0	Estimated commissions, fees and other expenses ⁽³⁾	18.1
Cash on balance sheet	67.4		
Revolving Credit Facility drawdown ⁽¹⁾ .	20.0		
Total sources	<u>802.4</u>	Total uses	<u>802.4</u>

- (1) On the Issue Date, we will enter into the Revolving Credit Facility Agreement in the amount of €80.0 million. Based on our current estimate of our cash flow and operations, we expect to draw on the Revolving Credit Facility on the Issue Date in an amount of €20.0 million due to the seasonality of our business, as we reach a low point in our annual cash cycle in the summer months. We also expect to roll-over approximately €3.3 million in outstanding and undrawn bank guarantees into the Revolving Credit Facility.
- (2) Represents the estimated principal amount outstanding under the Existing Credit Facilities as at the Issue Date plus accrued interest thereon and fees through the Issue Date. We intend to prepay in full and terminate the Existing Credit Facilities on the Issue Date. The total outstanding principal amount of indebtedness under the Existing Credit Facilities as at February 2, 2014 was €780.2 million, which amount excludes unamortized debt issue costs.
- (3) Reflects our estimate of fees and expenses in connection with the Refinancing and the issuance of the Senior PIK Notes by the Parent, including discounts and other commissions, advisory and other professional fees and other transaction costs.

CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and capitalization of the Company as at February 2, 2014, on an actual basis and on an as adjusted basis to give effect to the Refinancing as if it had occurred on February 2, 2014. The as adjusted data below are illustrative only and do not purport to be indicative of our capitalization following the completion of the offering.

You should read this table together with the sections of this offering memorandum entitled “*Use of Proceeds*,” “*Selected Historical Consolidated Financial Information*,” “*Summary—The Refinancing*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and our consolidated financial statements and related notes included elsewhere in this offering memorandum.

	As at February 2, 2014	
	Actual	As adjusted
	(in millions of €)	
Cash and cash equivalents	175.9	108.5⁽¹⁾
Third-party borrowings:		
Finance leases	5.8	5.8
Existing Senior Facilities ⁽²⁾	613.2	—
Existing Mezzanine Facility ⁽²⁾	167.0	—
Revolving Credit Facility ⁽³⁾	—	20.0
Senior Secured Floating Rate Notes offered hereby ⁽⁴⁾	—	250.0
Senior Secured Fixed Rate Notes offered hereby ⁽⁴⁾	—	315.0
Senior Notes offered hereby ⁽⁴⁾	—	150.0
Total third-party borrowings	786.0	740.8
Shareholder loan ⁽⁵⁾	193.9	193.9
Shareholder’s equity	337.5	337.5
Total capitalization	1,317.4	1,272.2

- (1) The amount of cash and cash equivalents on an as adjusted basis also reflects the repayment of €784.3 million of principal and accrued interest under the Existing Credit Facilities on the Issue Date using, in part, €67.4 million of cash on balance sheet as described in “*Use of Proceeds*.” The amount of cash and cash equivalents on an as adjusted basis is an estimate and may vary as a result of intra-month movements we regularly experience due to the timing of our receipts and payments and the seasonality of our business.
- (2) The outstanding indebtedness under the Existing Credit Facilities as at February 2, 2014 is presented herein at its principal amount, and excludes debt issuance costs, which were €14.4 million as at February 2, 2014 and will be charged to the income statement upon repayment of the Existing Credit Facilities. The Existing Credit Facilities will be repaid in full on the Issue Date with the proceeds of the offering. See “*Use of Proceeds*.”
- (3) On the Issue Date, we will enter into the Revolving Credit Facility Agreement in the amount of €80.0 million. Based on our current estimate of our cash flow and operations, we expect to draw on the Revolving Credit Facility on the Issue Date, in an amount of €20.0 million due to the seasonality of our business, as we reach a low point in our annual cash cycle in the summer months. We also expect to roll-over approximately €3.3 million in outstanding and undrawn bank guarantees into the Revolving Credit Facility. The Revolving Credit Facility Agreement will benefit from guarantees from each entity that guarantees the Notes. The Revolving Credit Facility will also benefit from security over the same assets that secure the Senior Secured Notes. See “*Description of Other Indebtedness—Revolving Credit Facility*.”
- (4) The Senior Secured Floating Rate Notes, the Senior Secured Fixed Rate Notes and the Senior Notes have been reflected in the table at their aggregate principal amounts of €250.0 million, €315.0 million and €150.0 million, respectively and do not include debt issue costs, which we estimate will be €18.1 million and which mainly will be deducted from the carrying value of the Notes and the Revolving Credit Facility in our financial statements and from the Senior PIK Notes in the Parent’s financial statements and amortized as part of effective interest over the term of the Notes, the Revolving Credit Facility and the Senior PIK Notes.
- (5) The outstanding indebtedness under the shareholder loan as at February 2, 2014 is presented herein at its principal amount and excludes debt issuance costs of €0.8 million.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected historical consolidated financial information and other data of the Company for the periods ended and as at the dates indicated below.

The selected historical consolidated financial data set forth below have been derived from our audited consolidated financial statements for each of Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, and should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements, including the notes thereto, and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Presentation of Financial and Other Information*,” “*Summary Consolidated Financial Information and Other Data*” and “*Business*,” each of which is included elsewhere in this offering memorandum. The results of operations and other financial and operating information for prior years are not necessarily indicative of the results to be expected for any future period.

Income Statement Data

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Net sales			
Sales to retail customers	812.1	820.4	786.9
Sales to franchisees	320.7	314.7	289.3
Other sales	16.7	17.8	15.1
Total net sales	1,149.5	1,152.9	1,091.3
Cost of sales	(645.7)	(631.9)	(589.6)
Gross profit	503.8	521.0	501.7
Operating expenses			
Total labor costs	(189.5)	(204.7)	(202.9)
Rents and related costs	(103.0)	(111.7)	(118.1)
Other general expenses	(64.9)	(68.3)	(67.4)
Other income and expense	6.0	2.4	3.9
Depreciation, amortization and impairments	(47.1)	(53.6)	(57.5)
Total operating expenses	(398.5)	(435.9)	(442.0)
Operating income	105.3	85.1	59.7
Finance costs			
Interest income	0.8	0.5	0.1
Interest expense	(78.4)	(64.0)	(72.1)
Amortized finance costs	(3.8)	(3.8)	(4.0)
Other finance costs	(2.3)	(4.3)	(0.4)
Total finance costs	(83.7)	(71.6)	(76.4)
Income before income taxes	21.6	13.5	(16.7)
Income taxes	(10.2)	(7.7)	0.3
Net (loss)/profit⁽¹⁾	11.4	5.8	(16.4)

- (1) Net (loss)/profit for Fiscal Year 2012 has been restated to reflect the effect of the amendment to IAS 19R (“Employee Benefits”), which requires that all changes in the value of defined benefit plans be recognized immediately on the balance sheet as they occur. As a result, remeasurements of employee benefits (actuarial gains and losses) will be recorded in equity instead of profit and loss. HEMA has applied this amendment to IAS 19R from February 4, 2013. The restatement consisted of an adjustment of €0.8 million to operating expenses for Fiscal Year 2012 and an adjustment of (€0.2 million) to income taxes, which resulted in an adjustment to net (loss)/profit of (€0.6 million). Though we believe this amendment does not have a material impact on the consolidated financial statements, the net (loss)/profit for Fiscal Year 2011 was not restated and therefore is not completely comparable to the figures of Fiscal Year 2012.

Balance Sheet Data

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions at end of period)		
Non-current assets			
Property, plant and equipment	174.2	201.2	209.7
Intangible assets	1,172.9	1,174.4	1,168.7
Deferred tax assets	0.1	—	—
Other non-current assets	1.0	1.6	2.0
Total non-current assets	1,348.2	1,377.2	1,380.4
Current assets			
Inventories	150.8	147.8	147.6
Trade and other receivables	64.5	69.0	63.5
Other current financial assets	3.2	—	0.3
Current tax assets	—	—	3.0
Cash and cash equivalents	134.4	162.3	175.9
Total current assets	352.9	379.1	390.3
Total assets	1,701.1	1,756.3	1,770.7
Non-current liabilities			
Borrowings	767.9	761.0	755.0
Shareholder loan	146.9	168.7	193.1
Other financial liabilities	36.2	30.8	24.9
Employee benefits	8.8	7.9	7.1
Deferred tax liabilities	101.7	99.7	98.7
Provisions	0.2	0.1	0.1
Total non-current liabilities	1,061.7	1,068.2	1,078.9
Current liabilities			
Trade and other payables	284.2	315.6	336.4
Short term borrowings	7.8	18.3	10.8
Other financial liabilities	3.8	6.5	5.7
Deferred tax liabilities	7.8	0.5	1.4
Total current liabilities	303.6	340.9	354.3
Total liabilities	1,365.3	1,409.1	1,433.2
Total equity⁽²⁾	335.8	347.2	337.5
Total equity and liabilities	1,701.1	1,756.3	1,770.7

- (2) Total equity for Fiscal Year 2012 has been restated to reflect the effect of the amendment to IAS 19R (“Employee Benefits”), which requires that all changes in the value of defined benefit plans be recognized immediately on the balance sheet as they occur. As a result, remeasurements of employee benefits (actuarial gains and losses) will be recorded in equity instead of profit and loss. HEMA has applied this amendment to IAS 19R from February 4, 2013. The restatement consisted of an adjustment of €0.8 million to operating expenses for Fiscal Year 2012 and an adjustment of (€0.2 million) to income taxes, which resulted in an adjustment to net (loss)/profit of (€0.6 million). Though we believe this amendment does not have a material impact on the consolidated financial statements, the net (loss)/profit for Fiscal Year 2011 was not restated and therefore is not completely comparable to the figures of Fiscal Year 2012.

Cash Flow Data

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Net cash from operating activities	113.7	151.6	139.5
Net cash (used in) investing activities	(56.9)	(80.7)	(59.6)
Net cash (used in) financing activities	(56.2)	(43.0)	(66.3)
Net cash from operating, investing and financing activities	0.6	27.9	13.6
Cash and cash equivalents at the beginning of the year	133.8	134.4	162.3
Cash and cash equivalents at the end of the year	<u>134.4</u>	<u>162.3</u>	<u>175.9</u>

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

The consolidated financial information as at and for the financial years ended January 29, 2012, February 3, 2013 and February 2, 2014 presented in this discussion and analysis have been extracted or derived from the audited consolidated financial statements of the Company and its subsidiaries.

The following discussion should be read together with, and is qualified by reference to, our consolidated financial statements, and the related notes thereto, included elsewhere in this offering memorandum. The following discussion should also be read in conjunction with the sections entitled "Summary—Summary Consolidated Financial Data" and "Selected Historical Consolidated Financial Information." Except for the historical information contained herein, the discussions in this section contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, particularly in "Risk Factors" and "Forward-Looking Statements."

Overview

We are a general merchandise retailer active in the Netherlands, Belgium, Luxembourg, France and Germany, with a recent expansion into Spain and a planned expansion into the United Kingdom in the summer of 2014. We design, market, sell and distribute our products through our own stores, our network of branded franchise stores and our e-commerce platforms (including mobile and tablet applications). Our products feature original and contemporary design and substantially all are HEMA branded. We offer an extensive range of products from everyday basic household necessities and a limited food assortment to affordable non-discretionary items, including cosmetics, stationery, basic ladies and menswear, babywear, towels and "impulse-driven" purchases. Our products present limited fashion risk due to their simple and timeless design.

Our value proposition is to provide our customers with a combination of quality, price, design and reliability, which we believe is unmatched in the market, and an exciting and original shopping experience, making us a key destination for household shopping. Our customers value this approach, as demonstrated by high levels of customer loyalty and our high percentage of repeat customers. We aim to be less expensive than department stores and to offer better quality products, a broader assortment and a better shopping experience than any discount retail company. Our product offering is very broad, but with a high degree of pre-selection and distinctive design within each category. We have been serving Dutch consumers since 1926, underpinned by our strong brand image and our approach of "making the ordinary extraordinary." As a result of our longevity and the quality of our offering, the Dutch population frequently refers to us as a "Dutch institution." In the Netherlands and Belgium, we enjoy near universal brand awareness (100% and 97%, respectively) among customers across all age and income categories. According to a third-party survey, 85% of Dutch consumers shopped at HEMA at least twice in 2013 and we consistently rank highest in consumer surveys in key shopping criteria such as quality, design and service.

Our products are currently sold through our network of 674 stores, with an average of almost six million customers visiting our stores on a weekly basis, and through our growing internet sales platform, with almost 67 million online visits in Fiscal Year 2013. Beyond our core markets, we have expanded our network of stores into other European countries, particularly in France, where we have achieved critical mass, demonstrating the extendibility of the HEMA brand and the viability of both our international retail concept and expansion strategy. We are continuing our expansion internationally, including into Spain, where we opened our first store in April 2014, and into the United Kingdom, where we expect to open our first stores in the summer of 2014. To supplement our physical stores, we market and sell substantially all the products that we offer in our stores, other than most of our food products, through our fully transactional websites (including on mobile and tablet applications). Our multiple sales and distribution channels allow us to reach our customers wherever and however they want to shop.

Our Pro forma Adjusted EBITDA (as defined herein) was €127.8 million in Fiscal Year 2013. Despite two significant macroeconomic downturns in our core markets, particularly in the Netherlands, we grew net sales from €1,049.1 million in Fiscal Year 2008 to €1,091.3 million in Fiscal Year 2013 and grew gross profit as a percentage of net sales by 330 basis points from 42.7% of net sales to 46.0% of net sales over the same period. Further, since Fiscal Year 2008 we have maintained or improved our market position in many of our core product categories despite competition from discount retail companies and other competitors. We

believe that we have achieved this because we bring together a combination of competitive strengths that differentiates us from other retailers. We offer a complete value proposition consisting of quality, price, design and reliability, an exciting, original and consistent shopping experience, and an extensive portfolio of prime locations in the Benelux that is difficult for our competitors to replicate. In addition, we have increased free cash flow from €59.0 million in Fiscal Year 2011 to €81.1 million in Fiscal Year 2013 while undertaking and completing a substantial store refurbishment program across our 40 largest stores in the Netherlands to further strengthen our store portfolio. Given improvements in Dutch consumer confidence in recent months, we believe we will experience an improvement in our Dutch retail sales in the near future. We are currently focused on driving profit growth through a number of cost savings and margin initiatives, which, once fully implemented, we estimate will generate approximately €21 million in annual run-rate savings (including €7.3 million of annual cost savings attributable to the head office restructuring completed in early 2014).

We have four product divisions (apparel, household goods & personal care, food & catering and services & other) divided into different units and categories. Across these divisions, we carry approximately 180 product groups and an annual total of approximately 30,000 SKUs, with up to 17,000 SKUs in-store at any one time depending on the store format. Our product divisions are as follows:

- **Apparel** (€376.7 million net sales in Fiscal Year 2013, representing 34.5% of our total net sales). This product division comprises ladies and menswear, baby and children's wear, bodywear, legwear and fashion accessories. As of December 31, 2013, we were the market leaders, measured by consumer sales, in babywear, bodywear and legwear in the Netherlands.
- **Household Goods & Personal Care** (€369.9 million net sales in Fiscal Year 2013, representing 33.9% of our total net sales). This product division comprises household articles, home and bath textiles, living items, do-it-yourself and recreational products, stationery, seasonal products, toys and personal care items, including cosmetics. As of December 31, 2013, we were the market leaders, measured by consumer sales, in bath textiles and among the leading retailers of cosmetics in the Netherlands.
- **Food & Catering** (€286.9 million net sales in Fiscal Year 2013, representing 26.3% of our total net sales). This product division comprises catering, wine, pastry, sweets and convenience food products. As of December 31, 2013, we were among the leading retailers of fresh pastry in the Netherlands measured by consumer sales.
- **Services & Other** (€57.8 million net sales in Fiscal Year 2013, representing 5.3% of our total net sales). This product division comprises specialized and customized products and services, such as Insurances and notary services sold through our e-commerce platform and photo prints and albums sold online and in our stores. As of December 31, 2013, we were the market leaders, measured by consumer sales, in photo prints and albums in the Netherlands.

We market and sell our products through our own stores, our network of branded franchise stores and online. As of the end of the first quarter of Fiscal Year 2014, we operated a total of 674 stores, comprising 529 stores in the Netherlands, 101 stores in Belgium and Luxembourg, 33 stores in France, 10 stores in Germany and one store in Spain. Of these stores, approximately 61% are directly operated and 39% are franchised, with all our franchise stores located in the Netherlands. Our stores are classified into eight formats in terms of size and assortment depending on location, catchment area and customer profile, and are positioned in prime retail locations with high footfall. Our store sizes currently range from 17 square meters to approximately 3,500 square meters and carry between 3,000 and 17,000 SKUs at any one time depending on store format. Our internet business, launched in 2001, has grown rapidly across product categories and geographies and is highly frequented, with almost 67 million visitors in Fiscal Year 2013.

Our integrated and flexible business model encompasses in-house design, purchasing and merchandising departments, along with an in-house logistics and distribution division fully aligned to serve our entire store network and e-commerce operations. Our in-house design team develops concepts for our HEMA-branded product lines and, with the occasional support of freelance and third party designers, supervises their implementation through the design and sourcing of new or improved products. The products are then manufactured by our worldwide suppliers and purchased, merchandised and marketed by our in-house teams. The distribution of our products begins in our two distribution centers in Utrecht (Lage Weide), and is carried out by our own fleet and employees to our own stores and franchisees (except for the distribution of non-bakery food products and the home delivery of products sold on our e-commerce platform, which are carried out by specialized third parties).

Key Factors Affecting Our Results of Operations

We believe that the following factors, among others, have had and will continue to have a material effect on our results of operations and financial condition. As many of these factors are beyond our control and certain of these factors have historically been volatile, past performance will not necessarily be indicative of future performance and it is difficult to predict future performance with any degree of certainty. In addition, important factors that could cause our actual operations or financial conditions to differ materially from those expressed or implied below, include, but are not limited to, factors indicated in this offering memorandum under “*Risk Factors*.”

General Economic Conditions and Factors, Particularly in the Benelux

Our results are primarily impacted by the general economic conditions and factors in the markets in which we operate (Benelux, France, Germany and, in Fiscal Year 2014, Spain and the United Kingdom) affecting consumer sentiment and overall consumer spending. General economic factors affecting consumer spending include the prevailing economic climate, levels of employment, salaries, wage rates, availability of consumer credit, consumer confidence and consumer perceptions of economic conditions. The housing market can also affect our business, as sales of household goods benefit from housing moves and renovations, which tend to decline in weak housing markets. The consumer confidence in the Netherlands, our core market, was significantly affected during the economic recession in recent years, decreasing from (–20) in 2008 to (–44) in 2013, and the Dutch unemployment rate increased from 3.9% in 2008 to 8.3% in 2013. This has had an adverse impact on disposable income growth in the Netherlands. In 2013, the decline in disposable income versus the previous year was approximately 1.6%, with a direct effect on sales volumes and revenues in the overall Dutch retail market. However, given significant improvements in Dutch consumer confidence over the past two quarters during which consumer confidence has risen to (–1) in May 2014, disposable income is expected to increase over the next several quarters and by the end of 2014 is expected to be increasing broadly in line with the expected Eurozone average over the same period. As a result, we believe we will experience an improvement in Dutch retail sales in the near future.

Specific factors affecting consumer spending on our products include our ability to maintain and improve our attractive product and price offering, our ability to effectively predict and respond to quickly changing consumer demands and preferences, and our ability to respond to existing and future competition. As we continue to expand our operations in additional European countries, our results will be increasingly impacted by the economic conditions and factors in these countries. Consumer purchases of non-essential items (such as our cosmetics, photo services and impulse driven purchases) can decline in an unfavorable economic environment, especially when disposable income and consumer confidence have decreased. Additionally, due to limited growth in the Dutch housing market, demand for do-it-yourself products and household textiles has declined. However, as we expand our offerings of other goods that are either less discretionary or more affordable (such as our Insurance and certain food products), we expect our sales to become more resilient even in declining economic conditions.

The consumer spending and consumer demand conditions in the Benelux are particularly relevant to our results. Although we have strengthened our geographic presence in recent years, the Benelux, and in particular the Netherlands, remains our most significant market. In Fiscal Year 2013, we generated 81% of our net sales and 73% of our EBITDA in the Netherlands, 13% of our net sales and 13% of our EBITDA in Belgium and Luxembourg, and the remainder in Germany and France, with our activities in Spain and the United Kingdom commencing in Fiscal Year 2014. See “*Risk Factors—Risks Related to Our Business—We are affected by general economic conditions worldwide and particularly in the Benelux.*”

Our fixed costs are also affected by the consumer price index. The rent on the majority of our directly operated stores is subject to annual indexation in accordance with the development of the consumer price index. Our policy has been to cap these price indexing provisions, if possible; though this does not preclude a likelihood of moderate rent increases in 2014 in line with the expected inflation trend for this year. Our annual rental expense under our operating leases, including sub-lease payments received, was €83.1 million for the 52-weeks ending February 2, 2014. In addition, the salary paid to our employees is adjusted as a result of the outcome of negotiations with the labor unions on the new collective labor agreements.

Improving Operating Performance Through Sales, Cost Savings and Margin Initiatives

Our results of operations are primarily guided by our net sales, gross profit margin and operating expenses. We have implemented various initiatives to enhance our sales volumes and product gross profit margin, and to reduce our operating expenses. These initiatives include the following:

- Investing in a substantial store refurbishment program which has allowed us to present our products in more exciting and organized ways, which showcases new stock and also supports in-store pickup and delivery options. Our refurbished stores more closely reflect our brand identity and make the HEMA shopping experience easier and more pleasurable. In 2012 and 2013, we implemented our refurbishment program by refitting our approximately 40 largest stores in the Netherlands in order to enhance the HEMA customer experience. The key elements of the refurbishment program were renovations and expansions, improving layout, introducing new presentations, optimizing “impulse alleys” and enhancing the ambience of our stores. With this significant investment in our brand and our stores, we believe we are well-positioned to increase like-for-like sales and profitability growth in our existing stores without the need for significant capital expenditures in the near future;
- Implementing a combination of product and store initiatives to increase our like-for-like sales. These initiatives include new product introductions, new product strategies, continued renewal of products, promotions and initiatives to further improve the presentation of our products, the communication of the HEMA brand and the overall in-store customer experience, such as the introduction of beauty centers and gift assortments with a separate space allocation in-store. The expansion of our e-commerce business, combined with delivery of online purchases to our stores for customer pickup have also contributed to our like-for-like sales;
- Implementing initiatives to improve our operating margins, primarily through sourcing initiatives. Our sourcing activities involve a more sophisticated purchasing process, the opening of a buying desk and increased specialist training of buying teams, which has generated margin benefits; and
- Improving our operational activities resulting in cost savings and efficiencies at various levels in the business. This includes restructuring of our head office, reduction of the working hours of our employees in the Netherlands, renegotiating our rents and closing certain underperforming stores.

These initiatives, among others, have affected our results of operations during Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, and, once fully implemented, we estimate that they will generate approximately €21 million in annual run-rate savings (including €7.3 million of annual cost savings attributable to the head office restructuring completed in early 2014).

Disciplined Expansion

Expansion sales growth has been led by the continued rollout of existing formats, the introduction of new formats and further expansion particularly outside Benelux. We are focused on growing our presence in France, where our stores have an average estimated payback period of 2.1 years excluding pilot stores. All our non-pilot French stores have generated positive EBITDA since opening. We are also opening new stores in Spain (where the first store was opened in April 2014) and in the United Kingdom (where we intend to open our first stores in the summer of 2014). Our store network expansion has only resulted in a minimum cannibalization effect on the existing store network as our new stores and formats each target new catchment areas and as such represent an expansion opportunity for the business. We identify new sites based on a variety of investment criteria, including demographics, proximity to locations of our existing stores and competitors, availability of suitable retail space and local economic conditions. We follow a stringent assessment and selection process and only invest in new stores if our estimated internal rate of return meets our predetermined threshold.

The table below sets forth our store network evolution as of the end of the last three Fiscal Years.

Store Network Summary (Unaudited)

	Fiscal Year		
	2011	2012	2013
Number of stores (at end of period)			
The Netherlands	492	517	528
<i>Directly operated</i>	247	260	269
<i>Franchised</i>	245	257	259
Belgium and Luxembourg	91	96	100
France	8	15	28
Germany	10	10	10
Total	601	638	666
<i>Directly operated</i>	356	381	407
<i>Franchised</i>	245	257	259
Total net selling space (<i>sqm in thousands</i>)	443	459	471

Changing Consumer Preferences and Demands

Our ability to maintain our appeal to existing customers and attract new customers depends on continuously developing and offering a compelling range of products and services that is responsive to evolving trends and consumer preferences. Our increasing focus on our e-commerce platform (including our mobile and tablet applications), as well as our continued effort to create a seamless multi-channel shopping experience for our customers, are a result of changing consumer shopping patterns and behaviors. An economic downturn or continued weakness in consumer spending in our markets could lead our customers to increase their demand for discounted items and products with lower selling prices, which may force us to accept sales with lower margins. We have experienced pricing pressure throughout the downturn and have, in certain cases, selectively adjusted entry level price points for some of our products to match our competitors and maintain our market share. On the other hand, an economic recovery may cause consumers to reduce their purchases from value retailers and instead reallocate their purchases to other retailers selling at higher price points and with luxury brands.

Channel and Geography Mix

We believe in the value of engaging with our customers across multiple channels, including our directly operated stores, franchise stores, website, mobile and tablet applications and our post-sales customer services. This multi-channel offering increases contact with our customers and allows our customers to learn about and purchase our products and services. We also believe that our geographic expansion outside the Benelux, especially with our continued store rollout in France, recent opening of a store in Spain and the expected opening of stores in the United Kingdom in the summer of 2014, will further diversify our sales and strengthen the positioning of our brand. E-commerce sales are also positively impacted by the presence of a store in a particular geographical area, because we believe customers are generally more likely to make online purchases if they have had the opportunity to view the product in store. In addition, in Fiscal Year 2013, approximately 69% of the products purchased in the Netherlands on our e-commerce platform were collected in store instead of delivered directly to the customer. We believe the growth of our e-commerce platform will have a positive impact on our in-store sales by increasing footfall and generating cross-selling opportunities.

Seasonality and Weather

Our business activities are subject to seasonal influences. Our most important trading period in terms of turnover, operating results and cash flow has been the Christmas season (including *Sinterklaas*, the Dutch and Belgium equivalent of Santa Claus, celebrated on December 5 in the Netherlands and on December 6 in Belgium), with 20% of our sales in Fiscal Year 2013 occurring from November 4, 2013 to January 5, 2014. We incur additional expenses in advance of the Christmas season in anticipation of higher sales during that period, including increased inventory and advertising as well as hiring additional employees. Past turnover trends indicate that, in addition to the Christmas season, peaks in turnover also occur during Easter as a result of promotional events and seasonal sales. See “*Risk Factors—Risks Related to Our Business—Our business could suffer as a result of weak sales during peak selling seasons.*”

Our results are also affected by periods of abnormal, severe or unseasonal weather conditions. Periods of warm or cold weather could also render a portion of our inventory incompatible with such unseasonal conditions, such as winter apparel and food products typically consumed during the winter. Adverse weather conditions early in the season could have a double impact on our profitability, leading to a slowdown in sales at full margin followed by more extensive markdowns at the end of the season. See “*Risk Factor—Risks Related to Our Business—Severe or unseasonal weather conditions and catastrophic events can adversely affect our business.*”

Store Refurbishment Expenses

Since 2012, we have implemented a substantial store refurbishment program and have refitted our approximately 40 largest stores in the Netherlands in order to enhance the HEMA customer experience. We believe we are well-positioned to increase like-for-like sales and profitability growth in our existing stores without the need for significant capital expenditures in the near future. However, less significant or unexpected refurbishments may be required from time to time. Store refurbishment expenses are presented as capital expenditures.

Financial Periods

We prepare our annual financial statements on the basis of a 52- or 53-week financial period, ending on the Sunday nearest to January 31. This means that the results for a fiscal year that covers a 53-week period are not directly comparable to the results for a fiscal year that covers a 52-week period. Fiscal Year 2011 and Fiscal Year 2013 each cover a 52-week period and are therefore directly comparable, but may not be directly comparable with results for Fiscal Year 2012, which covers a 53-week period.

Discussion of Principal Operating Results Items

Net Sales

We generate and recognise net sales to retail customers at the point of sale in our directly owned stores and upon delivery of products to internet customers. We also generate net sales from the sale of products to retail franchisees, which are recognized upon delivery. We recognize franchise fees as net sales when all material services relating to the contract have been substantially performed. Discounts earned by customers are recognized as a reduction of net sales at the time of sale. Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased. However, for certain products or services, such as the sale of Insurances and customized photo books, we act as an agent and record the amount of commission income in our net sales. Net sales exclude value-added taxes.

Cost of Sales

We define cost of sales as the purchase price of products sold and other costs incurred in bringing inventories to their present location and condition. These costs include costs of purchasing, styling, quality control, storing, rent, salaries and transporting products to the extent it relates to bringing inventory to its present location and condition. Of these costs, depreciation costs are partially allocated to inventory, but are recorded as depreciation, and not cost of sales, when the inventory is sold.

Operating Expenses

Operating expenses include labor costs and other operating expenses. Labor costs are our largest operating expense and represent salaries, taxes and social securities, employee benefit expenses relating to defined contribution plans and other personnel expenses, such as employee gifts, events and entertainment, employee training, and travel costs. Other operating expenses relate to rents and related costs (including energy, cleaning, non-capitalized maintenance expenditures and repairs), depreciation, amortization and impairments, and other general operating expenses, such as sales and promotion expenses (including advertising, commercials and brochures), selling and distribution expenses (including packaging), security, insurance and information technology expenses.

Finance Cost

Finance cost covers all interest income and expense attributable to a period on a time-proportionate basis, by reference to the principal outstanding and the effective interest rate applicable. This item also includes gains and losses on hedging activities and amortisation of capitalised financing costs.

Results of Operations

The following sections provide a period-by-period comparison of our historical consolidated income statement data. The financial data have been prepared in accordance with IFRS, and have been derived from our audited consolidated financial statements for each of Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, and should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements, including the notes thereto, and “*Presentation of Financial and Other Information*” and “*Business*,” each of which is included elsewhere in this offering memorandum.

Results of Operations: Fiscal Year 2013 Compared to Fiscal Year 2012

The following table sets forth our historical consolidated income statement data derived from our audited consolidated financial statements for Fiscal Year 2012 and Fiscal Year 2013, as well as certain other financial data. Each line item is also expressed as a percentage of total net sales for the period.

Results of Operations

	Fiscal Year			
	2012		2013	
	(53 weeks ended February 3, 2013)		(52 weeks ended February 2, 2014)	
(Euro in millions, other than percentages)				
Income Statement Data				
Net sales				
Sales to retail customers	820.4	71.2%	786.9	72.1%
Sales to franchisees	314.7	27.3%	289.3	26.5%
Other sales	17.8	1.5%	15.1	1.4%
Total net sales	1,152.9	100.0%	1,091.3	100.0%
Cost of sales	(631.9)	54.8%	(589.6)	54.0%
Gross profit	521.0	45.2%	501.7	46.0%
Operating expenses				
Total labor costs	(204.7)	17.8%	(202.9)	18.6%
Housing and rents	(111.7)	9.7%	(118.1)	10.8%
Other general expenses	(68.3)	5.9%	(67.4)	6.2%
Other income and expense	2.4	0.2%	3.9	0.4%
Depreciation, amortization and impairments	(53.6)	4.6%	(57.5)	5.3%
Total operating expenses	(435.9)	37.8%	(442.0)	40.5%
Operating income	85.1	7.4%	59.7	5.5%
Finance costs				
Interest income	0.5	0.0%	0.1	0.0%
Interest expense	(64.0)	5.6%	(72.1)	6.6%
Amortized finance costs	(3.8)	0.3%	(4.0)	0.4%
Other finance costs	(4.3)	0.4%	(0.4)	0.0%
Total finance costs	(71.6)	6.2%	(76.4)	7.0%
Income before income taxes	13.5	1.2%	(16.7)	1.5%
Income taxes	(7.7)	0.7%	0.3	0.0%
Net (loss)/profit⁽¹⁾	5.8	0.5%	(16.4)	1.5%
Other Financial Data (Unaudited)				
EBITDA ⁽²⁾	138.7	12.0%	117.2	10.7%
Adjusted EBITDA ⁽³⁾	141.8	12.3%	120.5	11.0%
Like-for-like sales ⁽⁴⁾	(5.3)%	—	(5.5)%	—
Financial Data by Product Category and Region				
Net Sales by Product Category				
Apparel	403.9	35.0%	376.7	34.5%
Household Goods & Personal Care	390.8	33.9%	369.9	33.9%
Food & Catering	290.3	25.2%	286.9	26.3%
Services & Other	67.9	5.9%	57.8	5.3%
Total	1,152.9	100.0%	1,091.3	100.0%
Net Sales by Region				
The Netherlands	956.1	83.0%	882.5	80.9%
Belgium and Luxembourg	145.5	12.6%	143.5	13.1%
France	21.9	1.9%	39.0	3.6%
Germany	11.7	1.0%	11.1	1.0%
Other ⁽⁵⁾	17.7	1.5%	15.1	1.4%
Total	1,152.9	100.0%	1,091.3	100.0%

- (1) Net (loss)/profit for Fiscal Year 2012 has been restated to reflect the effect of the amendment to IAS 19R ("Employee Benefits"), which requires that all changes in the value of defined benefit plans be recognized immediately on the balance sheet as they occur. As a result, remeasurements of employee benefits (actuarial gains and losses) will be recorded in equity instead of profit and loss. HEMA has applied this amendment to IAS 19R from February 4, 2013. The restatement consisted of an adjustment of €0.8 million to operating expenses for Fiscal Year 2012 and an adjustment of (€0.2 million) to income taxes, which resulted in an adjustment to net (loss)/profit of (€0.6 million).

- (2) EBITDA represents operating income plus depreciation, amortization and impairments. Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or gross profit as an indicator of our operations in accordance with IFRS. See “Presentation of Financial and Other Information.”

The following table reconciles our operating income for the period to EBITDA:

EBITDA Reconciliation

	Fiscal Year	
	2012 (53 weeks ended February 3, 2013)	2013 (52 weeks ended February 2, 2014)
	(Euro in millions)	
Operating income	85.1	59.7
Depreciation	38.8	42.2
Amortization	13.0	14.3
Impairments	1.8	1.0
EBITDA	138.7	117.2

- (3) Adjusted EBITDA represents EBITDA plus pre-opening costs, defined as salary costs incurred with respect to new stores prior to such stores’ respective opening dates plus rent in respect of new stores incurred prior to such stores’ respective opening dates, an annual oversight fee, which refers to the annual fee for the services provided by Lion Capital to the Company under a monitoring and oversight agreement (see “Management—Monitoring and Oversight Agreement”) and certain advisory fees incurred in Fiscal Year 2011 in respect of an aborted transaction, and new store pre-opening costs.

The following table reconciles EBITDA for the period to Adjusted EBITDA:

Adjusted EBITDA Reconciliation

	Fiscal Year	
	2012 (53 weeks ended February 3, 2013)	2013 (52 weeks ended February 2, 2014)
	(Euro in millions)	
EBITDA	138.7	117.2
Pre-opening costs	1.1	1.5
Annual oversight fee and advisory fees	2.0	1.8
Adjusted EBITDA	141.8	120.5

- (4) Like-for-like sales represents the year-on-year percentage growth of the gross sales of our stores that have been open for the entire two-fiscal year period under review, including gross sales in respect of products ordered online and picked up in stores, items ordered online for home delivery, and deliveries from our bakeries to third parties. Gross sales for directly-owned stores represent the total sales transactions registered in our point of sale systems and are based on actual prices charged to customers. Gross sales for franchise stores represent the value of products we deliver to our franchise stores, where the value of a product is the actual retail price of the product in our point of sale system at the time it is delivered to our franchise store. Gross sales for the purpose of determining Like-for-like sales also includes commission we receive on Insurances which we provide as an agent and the full sale price of other products we sell on behalf of third parties such as vouchers, which is different from the treatment of sales of such products under IFRS. Gross sales for both directly-owned stores and for franchise stores include VAT which is 6% in respect of food and 21% in respect of virtually all other products and services (increased from 19% on October 1, 2012). Like-for-like sales information is based upon information from our internal management systems and not from our financial reporting systems and is unaudited. Different companies and analysts may calculate like-for-like sales differently, so making comparisons among companies on this basis should be done very carefully. Like-for-like sales is not a measure of performance under IFRS and should not be considered in isolation or construed as a substitute for net sales, operating profit or gross profit as an indicator of our operations in accordance with IFRS. See “Presentation of Financial and Other Information”.
- (5) Other net sales include net sales in respect of sales to third parties delivered from HEMA bakeries, wholesale, e-commerce (home delivery only), financial services and other.

Net Sales

Net sales decreased by €61.6 million, or 5.3%, from €1,152.9 million in Fiscal Year 2012 to €1,091.3 million in Fiscal Year 2013. This decrease was partially the result of the additional week in Fiscal Year 2012. Sales

in the Netherlands were negatively influenced by the continued challenging macroeconomics environment and lower consumer demand. In total, 29 new stores were opened in Fiscal Year 2013, including 13 new stores opened in France. Like-for-like sales performance in France has been very strong, with a double digit growth for both Fiscal Year 2011 and 2012 and 7.7% growth for Fiscal Year 2013.

By Product Group

In Fiscal Year 2013, our apparel product group accounted for 34.5% of our net sales (Fiscal Year 2012: 35.0%), household goods & personal care for 33.9% (Fiscal Year 2012: 33.9%), food & catering for 26.3% (Fiscal Year 2012: 25.2%) and services and other for 5.3% (Fiscal Year 2012: 5.9%). Net sales from apparel decreased by €27.2 million, or 6.7%, from €403.9 million in Fiscal Year 2012 to €376.7 million in Fiscal Year 2013, primarily due to the deterioration of market conditions and consumer spending in The Netherlands, the additional week in Fiscal Year 2012 as compared to Fiscal Year 2013 and the mild winter in Fiscal Year 2013, which reduced sales of seasonal merchandise such as coats, gloves, and other cold-weather apparel. Net sales from household goods & personal care decreased by €20.9 million, or 5.3%, from €390.8 million in Fiscal Year 2012 to €369.9 million in Fiscal Year 2013, due, in part, to a decline in demand for ready-made curtains in 2013, which are one of our most popular home products. Net sales from food & catering decreased by €3.4 million, or 1.2%, from €290.3 million in Fiscal Year 2012 to €286.9 million in Fiscal Year 2013 due to the mild winter in Fiscal Year 2013 which reduced demand for our sausages, one of our most popular products, as they are generally considered a cold-weather food. Net sales from services & other decreased by €10.1 million, or 14.9%, from €67.9 million in Fiscal Year 2012 to €57.8 million in Fiscal Year 2013, primarily due to a decrease from the deliveries from our bakeries to third parties and a decline of the sales in photo printing articles, in line with overall market declines within this category.

By Geography

In Fiscal Year 2013, the Netherlands accounted for 80.9% of our net sales (Fiscal Year 2012: 82.9%), Belgium and Luxembourg for 13.1% (Fiscal Year 2012: 12.6%), France for 3.6% (Fiscal Year 2012: 1.9%), Germany for 1.0% (Fiscal Year 2012: 1.0%) and other, which includes sales to third parties delivered from HEMA bakeries, wholesale, e-commerce for home delivery and financial services, for 1.4% (Fiscal Year 2011: 1.5%). Net sales in the Netherlands decreased by €73.6 million, or 7.7%, from €956.1 million in Fiscal Year 2012 to €882.5 million in Fiscal Year 2013, primarily due to the continued challenging macroeconomic environment in the Netherlands caused by the double dip recession which led to a reduction in consumers' disposable income and consumer spending. Net sales in Belgium and Luxembourg decreased by €2.0 million, or 1.4%, from €145.5 million in Fiscal Year 2012 to €143.5 million in Fiscal Year 2013, primarily due to the fact that there were 52 weeks in Fiscal Year 2013 as compared to 53 weeks in Fiscal Year 2012. In addition, the introduction of a trial promotional strategy that halted distribution of sales brochures caused a decline in sales. This strategy has since been discontinued. Net sales in France increased by €17.1 million, or 78.1%, from €21.9 million in Fiscal Year 2012 to €39.0 million in Fiscal Year 2013, due to 13 new stores opened in France in 2013, as well as a 7.7% increase in like-for-like sales in the period. Net sales in Germany decreased by €0.6 million, or 5.1%, from €11.7 million in Fiscal Year 2012 to €11.1 million in Fiscal Year 2013, due, in part, to the remodelling of two of our ten stores in 2013, including our flagship store in Essen, in which one of two floors was closed, and also to the closure of our catering department in this store.

By Channel

In Fiscal Year 2013, sales to retail customers accounted for 72.1% of our net sales (Fiscal Year 2012: 71.2%), sales to franchisees for 26.5% (Fiscal Year 2012: 27.3%) and other channels for 1.4% (Fiscal Year 2012: 1.5%). Net sales to retail customers decreased by €33.5 million, or 4.1%, from €820.4 million in Fiscal Year 2012 to €786.9 million in Fiscal Year 2013, due primarily to the deterioration of retail market conditions and a decline in consumer spending in the Netherlands in 2013 offset by higher sales in France, among other factors. Net sales to franchisees decreased by €25.4 million, or 8.1%, from €314.7 million in Fiscal Year 2012 to €289.3 million in Fiscal Year 2013, primarily due to the deterioration of macroeconomic conditions and the retail market in the Netherlands, where all of our franchise-owned stores are located. Net sales from other channels decreased by €2.7 million, or 15.2%, from €17.8 million in Fiscal Year 2012 to €15.1 million in Fiscal Year 2013, due to the decrease in bakery sales to third parties from €3.6 million in Fiscal Year 2012 to €0.1 million in Fiscal Year 2013, which was partly offset by an increase in home delivered online sales.

Cost of Sales

Cost of sales decreased by €42.3 million, or 6.7%, from €631.9 million in Fiscal Year 2012 to €589.6 million in Fiscal Year 2013. Cost of sales as a percentage of net sales decreased from 54.8% in Fiscal Year 2012 to 54.0% in Fiscal Year 2013 primarily due to the introduction of our market strategy fund, which consists of a discount from our suppliers that we may use to market our products. This was partially offset by a change in our sales mix resulting from the decrease in net sales from higher margin apparel products and an increase in net sales from lower-margin food products.

Gross Profit

Gross profit decreased by €19.3 million, or 3.7%, from €521.0 million in Fiscal Year 2012 to €501.7 million in Fiscal Year 2013, as a result of the combined effect of the factors described above. Gross profit as a percentage of net sales increased from 45.2% in Fiscal Year 2012 to 46.0% in Fiscal Year 2013.

Operating Expenses

Operating expenses increased by €6.1 million, or 1.4%, from €435.9 million in Fiscal Year 2012 to €442.0 million in Fiscal Year 2013, due to an increase in housing and rent costs as a result of the opening of new stores, which was partly offset by the effects of the additional week in Fiscal Year 2012. Operating expenses as a percentage of net sales increased from 37.8% in Fiscal Year 2012 to 40.5% in Fiscal Year 2013 resulting from a decline in sales over that period and the largely fixed nature of our cost base. Total labor costs decreased by €1.8 million, or 0.9%, from €204.7 million in Fiscal Year 2012 to €202.9 million in Fiscal Year 2013 due to the addition of employees in connection with the opening of new stores, which was offset by targeted cuts to labor costs across our existing stores. Total labor costs as a percentage of net sales increased from 17.8% in Fiscal Year 2012 to 18.6% in Fiscal Year 2013 as a result of slight wage inflation and a decrease in net sales. Housing and rents increased by €6.4 million, or 5.7%, from €111.7 million in Fiscal Year 2012 to €118.1 million in Fiscal Year 2013 due to housing and rents connected with new stores opened in Fiscal Year 2013 and to an increase in rental costs as a result of an increase in the consumer price index, to which most of our rental rates are contractually linked. Housing and rents as a percentage of net sales increased from 9.7% in Fiscal Year 2012 to 10.8% in Fiscal Year 2013. Other general expenses decreased by €0.9 million, or 1.3%, from €68.3 million in Fiscal Year 2012 to €67.4 million in Fiscal Year 2013 due to the opening of new stores and the write-down of unused fixed assets that resulted from the closure of certain of our existing stores for remodeling in Fiscal Year 2013. Other general expenses as a percentage of net sales increased from 5.9% in Fiscal Year 2012 to 6.2% in Fiscal Year 2013 as a result of various cost-cutting measures implemented in Fiscal Year 2013. Other income and expense which consists of miscellaneous line items such as the redemption of unused gift cards, increased by €1.5 million, or 62.5%, from €2.4 million in Fiscal Year 2012 to €3.9 million in Fiscal Year 2013. Other income and expense as a percentage of net sales increased from 0.2% in Fiscal Year 2012 to 0.4% in Fiscal Year 2013. Depreciation, amortization and impairments increased by €3.9 million, or 7.3%, from €53.6 million in Fiscal Year 2012 to €57.5 million in Fiscal Year 2013 due to the opening of new stores and the write-down of unused fixed assets that resulted from the closure of certain of our existing stores for remodeling in Fiscal Year 2013. Depreciation, amortization and impairments as a percentage of net sales increased from 4.6% in Fiscal Year 2012 to 5.3% in Fiscal Year 2013.

Operating Income

Operating income decreased by €25.4 million, or 29.8%, from €85.1 million in Fiscal Year 2012 to €59.7 million in Fiscal Year 2013, as a result of the combined effect of the factors described above. Operating income as a percentage of net sales decreased from 7.4% in Fiscal Year 2012 to 5.5% in Fiscal Year 2013.

EBITDA

EBITDA decreased by €21.5 million, or 15.5%, from €138.7 million in Fiscal Year 2012 to €117.2 million in Fiscal Year 2013, as a result of the combined effect of the factors described above.

Finance Cost

Finance cost including cash and non-cash interest increased by €4.8 million, or 6.7%, from €71.6 million in Fiscal Year 2012 to €76.4 million in Fiscal Year 2013, primarily due to an increase in our interest expense,

including amortization of fees, attributable to the renegotiation and extension our Existing Credit Facilities on August 1, 2013.

Income Before Income Taxes

Income before income taxes decreased by €30.2 million, or 223.7%, from €13.5 million in Fiscal Year 2012 to negative €16.7 million in Fiscal Year 2013, as a result of the combined effect of the factors described above.

Income Taxes

Income taxes decreased by €8.0 million, from a tax expense of €7.7 million in Fiscal Year 2012 to a tax benefit of €0.3 million in Fiscal Year 2013, primarily due to a decrease in domestic taxes as a result of a taxable loss in The Netherlands in the same period. Our effective tax rate was 57.0% for Fiscal Year 2012 and 1.8% for Fiscal Year 2013.

Net (Loss)/Profit

Net (loss)/profit decreased by €22.2 million, or 382.8%, from €5.8 million profit in Fiscal Year 2012 to €16.4 million loss in Fiscal Year 2013, as a result of the combined effect of the factors described above.

Like-for-Like Sales

Like-for-like sales for Fiscal Year 2013 were (5.5)% as a result of the continued challenging macroeconomic environment and lower consumer demand.

Results of Operations: Fiscal Year 2012 Compared to Fiscal Year 2011

The following table sets forth our historical consolidated income statement data derived from our audited consolidated financial statements for Fiscal Year 2011 and Fiscal Year 2012, as well as certain other financial data. Each line item is also expressed as a percentage of total net sales for the period.

Results of Operations

	Fiscal Year			
	2011		2012	
	(52 weeks ended January 29, 2012)		(53 weeks ended February 3, 2013)	
(Euro in millions, other than percentages)				
Income Statement Data				
Net sales				
Sales to retail customers	812.1	70.6%	820.4	71.2%
Sales to franchisees	320.7	27.9%	314.7	27.3%
Other sales	16.7	1.5%	17.8	1.5%
Total net sales	1,149.5	100.0%	1,152.9	100.0%
Cost of sales	(645.7)	56.2%	(631.9)	54.8%
Gross profit	503.8	43.8%	521.0	45.2%
Operating expenses				
Total labor costs	(189.5)	16.5%	(204.7)	17.8%
Housing and rents	(103.0)	9.0%	(111.7)	9.7%
Other general expenses	(64.9)	5.6%	(68.3)	5.9%
Other income and expense	6.0	0.5%	2.4	0.2%
Depreciation, amortization and impairments	(47.1)	4.1%	(53.6)	4.6%
Total operating expenses	(398.5)	34.7%	(435.9)	37.8%
Operating income	105.3	9.2%	85.1	7.4%
Finance costs				
Interest income	0.8	0.1%	0.5	0.0%
Interest expense	(78.4)	6.8%	(64.0)	5.6%
Amortized finance costs	(3.8)	0.3%	(3.8)	0.3%
Other financial expense	(2.3)	0.2%	(4.3)	0.4%
Total finance costs	(83.7)	7.3%	(71.6)	6.2%
Income before income taxes	21.6	1.9%	13.5	1.2%
Income taxes	(10.2)	0.9%	(7.7)	0.7%
Net (loss)/profit⁽¹⁾	11.4	1.0%	5.8	0.5%
Other Financial Data (Unaudited)				
EBITDA ⁽²⁾	152.4	13.3%	138.7	12.0%
Adjusted EBITDA ⁽³⁾	156.3	0.1%	141.8	12.3%
Like-for-like sales ⁽⁴⁾	(1.0)%	—	(5.3)%	—
Financial Data by Product Category and Region				
Net Sales by Product Category				
Apparel	418.9	36.4%	403.9	35.0%
Household Goods & Personal Care	397.1	34.5%	390.8	33.9%
Food & Catering	270.0	23.5%	290.3	25.2%
Services & Other	63.5	5.5%	67.9	5.9%
Total	1,149.5	100.0%	1,152.9	100.0%
Net Sales by Region				
The Netherlands	966.6	84.1%	956.1	83.0%
Belgium and Luxembourg	141.7	12.3%	145.5	12.6%
France	12.5	1.1%	21.9	1.9%
Germany	12.0	1.0%	11.7	1.0%
Other ⁽⁵⁾	16.7	1.5%	17.7	1.5%
Total	1,149.5	100.0%	1,152.9	100.0%

(1) Net (loss)/profit for Fiscal Year 2012 has been restated to reflect the effect of the amendment to IAS 19R ("Employee Benefits"), which requires that all changes in the value of defined benefit plans be recognized immediately on the balance sheet

as they occur. As a result, remeasurements of employee benefits (actuarial gains and losses) will be recorded in equity instead of profit and loss. HEMA has applied this amendment to IAS 19R from February 4, 2013. The restatement consisted of an adjustment of €0.8 million to operating expenses for Fiscal Year 2012 and an adjustment of (€0.2 million) to income taxes, which resulted in an adjustment to net (loss)/profit of (€0.6 million). Though we believe this amendment does not have a material impact on the consolidated financial statements, the net (loss)/profit for Fiscal Year 2011 was not restated and therefore is not completely comparable to the figures of Fiscal Year 2012.

- (2) EBITDA represents operating income plus depreciation, amortization and impairments. Different companies and analysts may calculate EBITDA-based measures differently, so making comparisons among companies on this basis should be done very carefully. EBITDA-based measures are not measures of performance under IFRS and should not be considered in isolation or construed as substitutes for operating profit or gross profit as an indicator of our operations in accordance with IFRS. See “Presentation of Financial and Other Information.”

The following table reconciles our operating income for the period to EBITDA:

EBITDA Reconciliation

	Fiscal Year	
	2011 (52 weeks ended January 29, 2012)	2012 (53 weeks ended February 3, 2013)
	(Euro in millions)	
Operating income	105.3	85.1
Depreciation	35.6	38.8
Amortization	11.5	13.0
Impairments	0.0	1.8
EBITDA	152.4	138.7

- (3) Adjusted EBITDA represents EBITDA plus pre-opening costs, defined as salary costs incurred with respect to new stores prior to such stores’ respective opening dates plus rent in respect of new stores incurred prior to such stores’ respective opening dates, an annual oversight fee, which refers to the annual fee for the services provided by Lion Capital to the Company under a monitoring and oversight agreement (see “Description of Certain Related Party Transactions—Monitoring and Oversight Agreement”) and certain advisory fees incurred in Fiscal Year 2011 in respect of an aborted transaction.

The following table reconciles our EBITDA for the period to Adjusted EBITDA:

Adjusted EBITDA Reconciliation

	Fiscal Year	
	2011 (52 weeks ended January 29, 2012)	2012 (53 weeks ended February 3, 2013)
	(Euro in millions)	
EBITDA	152.4	138.7
Pre-opening costs	1.1	1.1
Annual oversight fee and advisory fees	2.8	2.0
Adjusted EBITDA	156.3	141.8

- (4) Like-for-like sales represents year-on-year percentage growth of the gross sales of our stores that have been open for the entire two-fiscal year period under review, including gross sales in respect of products ordered online and picked up in stores, items ordered online for home delivery, and deliveries from our bakeries to third parties. Gross sales for directly-owned stores represent the total sales transactions registered in our point of sale systems and are based on actual prices charged to customers. Gross sales for franchise stores represent the value of products we deliver to our franchise stores, where the value of a product is the actual retail price of the product in our point of sale system at the time it is delivered to our franchise store. Gross sales for the purpose of determining Like-for-like sales also includes commission we receive on Insurances which we provide as an agent and the full sale price of other products we sell on behalf of third parties such as vouchers, which is different from the treatment of sales of such products under IFRS. Gross sales for both directly-owned stores and for franchise stores include VAT which is 6% in respect of food and 21% in respect of virtually all other products and services (increased from 19% on October 1, 2012). Like-for-like sales information is based upon information from our internal management systems and not from our financial reporting systems and is unaudited. Different companies and analysts may calculate like-for-like sales differently, so making comparisons among companies on this basis should be done very carefully. Like-for-like sales is not a measure of performance under IFRS and should not be considered in isolation or construed as a substitute for net sales, operating profit or gross profit as an indicator of our operations in accordance with IFRS. See “Presentation of Financial and Other Information.”
- (5) Other net sales include net sales in respect of sales to third parties delivered from HEMA bakeries, wholesale, e-commerce (home delivery only), financial services and other.

Net Sales

Net sales increased by €3.4 million, or 0.3%, from €1,149.5 million in Fiscal Year 2011 to €1,152.9 million in Fiscal Year 2012. This was partially due to the fact that Fiscal Year 2012 had an additional week as compared to Fiscal Year 2011 and to the opening of 37 new stores in Fiscal Year 2012, partially offset by lower like-for-like sales in the Netherlands as a result of a continued challenging macroeconomic environment and lower consumer demand. Like-for-like sales performance in France was very strong, showing double digit growth for both Fiscal Year 2011 and 2012.

By Product Group

In Fiscal Year 2012, our apparel product group accounted for 35.0% of our net sales (Fiscal Year 2011: 36.4%), household goods & personal care for 33.9% (Fiscal Year 2011: 34.5%), food & catering for 25.2% (Fiscal Year 2011: 23.5%) and services & other for 5.9% (Fiscal Year 2011: 5.5%). Net sales from apparel decreased by €15.0 million, or 3.6%, from €418.9 million in Fiscal Year 2011 to €403.9 million in Fiscal Year 2012, primarily due to the deterioration of market conditions and a decline in consumer spending in the Netherlands, which was offset by the effect of the additional week in Fiscal Year 2012. Net sales from household goods & personal care decreased by €6.3 million, or 1.6%, from €397.1 million in Fiscal Year 2011 to €390.8 million in Fiscal Year 2012 due to the weakness of the housing market, which resulted in fewer housing transactions and thus fewer renovations, redecorations and spending on household items. Additionally, VAT increased from 19% to 21% in October 2012, affecting sales during our most important quarter, which was partly offset by the effect of the additional week in Fiscal Year 2012. Net sales from food & catering increased by €20.3 million, or 7.5%, from €270.0 million in Fiscal Year 2011 to €290.3 million in Fiscal Year 2012, primarily due to an increase in sales of food products as part of our broader strategy to expand our food offering and the effect of the additional week in Fiscal Year 2012. Net sales from services & other increased by €4.4 million, or 6.9%, from €63.5 million in Fiscal Year 2011 to €67.9 million in Fiscal Year 2012, primarily due to growth of our e-commerce business.

By Geography

Fiscal Year 2012, the Netherlands accounted for 82.9% of our net sales (Fiscal Year 2011: 84.1%), Belgium and Luxembourg for 12.6% (Fiscal Year 2011: 12.3%), France for 1.9% (Fiscal Year 2011: 1.1%), Germany for 1.0% (Fiscal Year 2011: 1.0%) and other, which includes sales to third parties delivered from HEMA bakeries, wholesale, e-commerce for home delivery and financial services, for 1.5% (Fiscal Year 2011: 1.5%). Net sales in the Netherlands decreased by €10.5 million, or 1.1%, from €966.6 million in Fiscal Year 2011 to €956.1 million in Fiscal Year 2012, primarily due to the difficult economic climate in the Netherlands resulting from the double-dip recession which has led to a decline in consumer spending. Net sales in Belgium and Luxembourg increased by €3.8 million, or 2.7%, from €141.7 million in Fiscal Year 2011 to €145.5 million in Fiscal Year 2012, primarily due to the additional week in Fiscal Year 2012. Net sales in France increased by €9.4 million, or 75.2%, from €12.5 million in Fiscal Year 2011 to €21.9 million in Fiscal Year 2012, primarily due to the opening of 7 new stores in France in 2012, and to 10.6% in like-for-like sales in France. Net sales in Germany decreased by €0.3 million, or 2.5%, from €12.0 million in Fiscal Year 2011 to €11.7 million in Fiscal Year 2012, primarily due to a loss in sales during the remodelling of stores in Essen and Mulheim.

By Channel

In Fiscal Year 2012, sales to retail customers accounted for 71.2% of our net sales (Fiscal Year 2011: 70.6%), sales to franchisees for 27.3% (Fiscal Year 2011: 27.9%) and other channels for 1.5% (Fiscal Year 2011: 1.5%). Net sales to retail customers increased by €8.3 million, or 1.0%, from €812.1 million in Fiscal Year 2011 to €820.4 million in Fiscal Year 2012, due to the effects of the additional week in Fiscal Year 2012, which was offset by a decrease in like-for-like sales in the Netherlands. Net sales to franchisees decreased by €6.0 million, or 1.9%, from €320.7 million in Fiscal Year 2011 to €314.7 million in Fiscal Year 2012, due primarily to the deterioration of macroeconomic conditions and the overall retail market in the Netherlands, where all of our franchise-owned stores are located. Net sales from other channels increased by €1.1 million, or 6.6%, from €16.7 million in Fiscal Year 2011 to €17.8 million in Fiscal Year 2012, due to an increase in home delivered online sales and the effects of the additional week in Fiscal Year 2012.

Cost of Sales

Cost of sales decreased by €13.8 million, or 2.1%, from €645.7 million in Fiscal Year 2011 to €631.9 million in Fiscal Year 2012. Cost of sales as a percentage of net sales decreased from 56.2% in Fiscal Year 2011 to 54.8% in Fiscal Year 2012, primarily due to improved purchase conditions and a reduction of markdowns.

Gross Profit

Gross profit increased by €17.2 million, or 3.4%, from €503.8 million in Fiscal Year 2011 to €521.0 million in Fiscal Year 2012, as a result of the combined effect of the factors described above. Gross profit as a percentage of net sales increased from 43.8% in Fiscal Year 2011 to 45.2% in Fiscal Year 2012.

Operating Expenses

Operating expenses increased by €37.4 million, or 9.4%, from €398.5 million in Fiscal Year 2011 to €435.9 million in Fiscal Year 2012, primarily due to an increase in labor costs. Operating expenses as a percentage of net sales increased from 34.7% in Fiscal Year 2011 to 37.8% in Fiscal Year 2012. Total labor costs increased by €15.2 million, or 8.0%, from €189.5 million in Fiscal Year 2011 to €204.7 million in Fiscal Year 2012 as a result of the effect of the additional week in Fiscal Year 2012 and the opening of new stores in Fiscal Year 2012. Total labor costs as a percentage of net sales increased from 16.5% in Fiscal Year 2011 to 17.8% in Fiscal Year 2012 resulting from a decrease in net sales over that period and the largely fixed nature of our labor costs. Housing and rents increased by €8.7 million, or 8.4%, from €103.0 million in Fiscal Year 2011 to €111.7 million in Fiscal Year 2012, primarily due to the opening of new stores, particularly in France. Housing and rents as a percentage of net sales increased from 9.0% in Fiscal Year 2011 to 9.7% in Fiscal Year 2012. Other general expenses increased by €3.4 million, or 5.2%, from €64.9 million in Fiscal Year 2011 to €68.3 million in Fiscal Year 2012, primarily due to the opening of new stores. Other general expenses as a percentage of net sales increased from 5.6% in Fiscal Year 2011 to 5.9% in Fiscal Year 2012. Other income and expense decreased by €3.6 million, or 60.0%, from €6.0 million in Fiscal Year 2011 to €2.4 million in Fiscal Year 2012. Other income and expense as a percentage of net sales decreased from 0.5% in Fiscal Year 2011 to 0.2% in Fiscal Year 2012. Depreciation, amortization and impairments increased by €6.5 million, or 13.8%, from €47.1 million in Fiscal Year 2011 to €53.6 million in Fiscal Year 2012. Depreciation, amortization and impairments as a percentage of net sales increased from 4.1% in Fiscal Year 2011 to 4.6% in Fiscal Year 2012.

EBITDA

EBITDA decreased by €13.7 million, or 9.0%, from €152.4 million in Fiscal Year 2011 to €138.7 million in Fiscal Year 2012, as a result of the combined effect of the factors above.

Operating Income

Operating income decreased by €20.2 million, or 19.2%, from €105.3 million in Fiscal Year 2011 to €85.1 million in Fiscal Year 2012, as a result of the combined effect of the factors described above. Operating income as a percentage of net sales decreased from 9.2% in Fiscal Year 2011 to 7.4% in Fiscal Year 2012.

Finance Cost

Finance cost including cash and non-cash interest decreased by €12.1 million, or 14.5%, from €83.7 million in Fiscal Year 2011 to €71.6 million in Fiscal Year 2012, primarily due to a decrease in our interest expense attributable to our Existing Credit Facilities.

Income Before Income Taxes

Income before income taxes decreased by €7.8 million, or 36.6%, from €21.6 million in Fiscal Year 2011 to €13.5 million in Fiscal Year 2012, as a result of the combined effect of the factors described above.

Income Taxes

Income taxes decreased by €2.5 million, from a tax expense of €10.2 million in Fiscal Year 2011 to a tax expense of €7.7 million in Fiscal Year 2012, primarily due to a decrease in domestic taxes as a result of the decrease in income before income taxes.

Net (Loss)/Profit

Net (loss)/profit decreased by €5.6 million, or 49.1%, from €11.4 million in Fiscal Year 2011 to €5.8 million in Fiscal Year 2012, as a result of the combined effect of the factors described above.

Like-for-Like Sales

Like-for-like sales for Fiscal Year 2012 were (5.3)% as a result of the continued challenging macroeconomic environment and lower consumer demand.

Liquidity and Capital Resources

Historical Cash Flows

The following table sets forth our historical consolidated cash flow statement data for the periods indicated.

Cash Flow Statement Data

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Net cash from operating activities	113.7	151.6	139.5
Net cash from/(used in) investing activities	(56.9)	(80.7)	(59.6)
Net cash from/(used in) financing activities	(56.2)	(43.0)	(66.3)
Net cash from operating, investing and financing activities	0.6	27.9	13.6
Cash and cash equivalents at the beginning of the period	133.8	134.4	162.3
Cash and cash equivalents at the end of the period	134.4	162.3	175.9

Net Cash Flow from Operating Activities

The following table sets forth the principal components of our net cash flow from operating activities for the periods indicated.

Cash Flow from Operating Activities

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Net profit	11.4	5.8	(16.4)
Income tax recognized in the income statement	10.2	7.7	(0.3)
Finance costs recognized in the income statement	83.7	71.6	76.4
Depreciation and amortization of non-current assets	47.1	53.6	57.5
Operating cash before changes in working capital	152.4	138.7	117.2
Movement in working capital	(36.5)	24.3	23.5
Cash generated from operations	115.9	163.0	140.7
Income taxes (paid)/received	(2.2)	(11.4)	(1.2)
Net cash generated by operating activities	113.7	151.6	139.5

Fiscal Year 2012 Compared to Fiscal Year 2013

Net cash generated from operating activities decreased by €12.1 million, or 8.0%, from €151.6 million in Fiscal Year 2012 to €139.5 million in Fiscal Year 2013, primarily due to decreased operating income,

partially offset by the shift of approximately €21.8 million in VAT payments into the first quarter of Fiscal Year 2014.

Fiscal Year 2011 Compared to Fiscal Year 2012

Net cash from operating activities increased by €37.9 million, or 33.3%, from €113.7 million in Fiscal Year 2011 to €151.6 million in Fiscal Year 2012, primarily due to changes in working capital, partially offset by increased income tax payments. Changes in working capital resulted from an increase in our trade and other payables, mainly related to the outstanding payments at year end for the store refurbishment program in the Netherlands and a payment of equity-based compensation made in Fiscal Year 2011 instead of Fiscal Year 2012.

Net Cash Flow from Investing Activities

The following table sets forth the principal components of our net cash flow from investing activities for the periods indicated.

Cash Flow from Investing Activities

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Payments for property, plant & equipment	(47.1)	(66.2)	(51.0)
Payments for intangible assets	(9.8)	(14.5)	(8.6)
Net cash used in investing activities	<u>(56.9)</u>	<u>(80.7)</u>	<u>(59.6)</u>

Fiscal Year 2012 Compared to Fiscal Year 2013

Net cash used in investing activities decreased by €21.1 million, or 26.1% from €80.7 million in Fiscal Year 2012 to €59.6 million in Fiscal Year 2013, due to the store refurbishment program and a new point of sale system introduced in our stores in the Netherlands in Fiscal Year 2012, for which most payments were made in Fiscal Year 2012.

Fiscal Year 2011 Compared to Fiscal Year 2012

Net cash used in investing activities increased by €23.8 million, or 41.8%, from €56.9 million in Fiscal Year 2011 to €80.7 million in Fiscal Year 2012, due to the store refurbishment program and the new point of sale system introduced in our stores in the Netherlands in Fiscal Year 2012, which required a large investment.

Net Cash Flow from Financing Activities

The following table sets forth the principal components of our net cash flow from financing activities for the periods indicated.

Cash Flow from Financing Activities

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Interest paid	(45.4)	(34.6)	(39.8)
Interest received	0.8	0.5	0.1
Repayments of borrowings	(10.0)	(7.8)	(18.3)
Payments for financial leases	(1.6)	(1.1)	(1.3)
Other	—	—	(7.0)
Net cash used in financing activities	<u>(56.2)</u>	<u>(43.0)</u>	<u>(66.3)</u>

Fiscal Year 2012 Compared to Fiscal Year 2013

Net cash used in financing activities increased by €23.3 million, or 54.2%, from €43.0 million in Fiscal Year 2012 to €66.3 million in Fiscal Year 2013, primarily due to a higher mandatory prepayment pursuant to our Existing Senior Facility Agreements and an increase in interest paid as a result of the amendment and extension of the interest rates and maturities of our Existing Credit Facilities, in respect of which we paid €7.0 million of finance fees in Fiscal Year 2013.

Fiscal Year 2011 Compared to Fiscal Year 2012

Net cash used in financing activities decreased by €13.2 million, or 23.5%, from €56.2 million in Fiscal Year 2011 to €43.0 million in Fiscal Year 2012, primarily due to a reduction of our interest payments as a result of a more favorable interest swap extended into Fiscal Year 2012.

Liquidity

Our business and growth strategy has in the past required and will continue to require liquidity to fund our national and international store expansion, capital expenditures, working capital requirements and debt service. Our principal sources of liquidity have been and will continue to be the net cash generated from our operating activities and our financing facilities. See “*Description of Other Indebtedness.*” Our ability to generate cash from our operations depends on our future operating performance, which in turn is dependent on general economic, financial, competitive, market, regulatory and other conditions and factors, many of which are beyond our control. See “*Risk Factors.*” Based on our current operating performance and liquidity, we believe that cash provided by our operating activities and available cash balances will be sufficient for working capital requirements, capital expenditures, interest payments, scheduled debt repayments and dividends for the foreseeable future.

Following the issuance of the Notes and the repayment of all our third party long-term indebtedness (excluding finance leases), our long-term indebtedness will primarily consist of the Notes and the Revolving Credit Facility. The amounts available under the Revolving Credit Facility are subject to our compliance with certain conditions, including certain financial maintenance ratios. See “*Description of Other Indebtedness,*” “*Description of the Senior Secured Notes*” and “*Description of the Senior Notes.*” Although we believe that our expected cash flows from operations, together with available borrowings and cash on hand, will be adequate to meet our anticipated liquidity and debt service needs, our business may not generate sufficient cash flows from operations and future debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. We have not drawn our existing revolving credit facility under our Existing Senior Facilities in Fiscal Years 2011 to 2013, but we expect the Revolving Credit Facility to be drawn in the amount of €20.0 million after giving effect to the Refinancing, as a result of the intra-month movements in cash which we regularly experience due to the seasonality of our business which means we reach a low point in our annual cash cycle in the summer months, and the exact timing of the repayment of our Existing Credit Facilities as part of the Refinancing. We also expect to roll-over approximately €3.3 million in outstanding and undrawn bank guarantees into the Revolving Credit Facility. The proceeds of the Notes will be used to repay the Existing Senior Facilities and the Existing Mezzanine Facility in full. See “*Use of Proceeds.*”

Working Capital Requirements

Our business generally results in a negative working capital position, as we obtain credit from our suppliers, but do not extend credit to our customers, except for our franchisees. Our working capital requirements are mainly guided by the level of our inventories, trade and other receivables, and trade and other payables. The following table sets forth the principal components of our working capital as of the end of the periods indicated.

Working Capital Position

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
Inventories	150.8	147.8	147.6
Trade and other receivables	64.5	69.0	63.5
Trade and other payables	(284.2)	(315.6)	(336.4)
Total	(68.9)	(98.8)	(125.3)

Inventories mainly represents our trade inventory, which comprises goods in our stores and at our distribution centers, goods in transit, as well as a provision for obsolete goods. Inventories also includes raw materials and other inventories concerning food, photo and packaging materials. Trade receivables mainly represent payments in respect of franchisee deliveries. The overall payment term for trade receivables is approximately 30 days and the credit risk is limited because it consists primarily of receivables from our franchisees, which we deduct as direct debits, and we have not received a late payment in Fiscal Years 2011 to 2013. Trade payables mainly represent payments to suppliers of our goods. We have extended payment terms with our suppliers over the last several years and it may be difficult to maintain such extended terms. See *“Risk Factors—Risks Related to our Business—Our currently favorable working capital position may be difficult to maintain.”*

Our working capital fluctuates over the course of the year, with cash inflows peaking at calendar year-end, as a result of increased holiday sales at calendar year-end, and cash outflows peaking in the first half of the year as we purchase additional inventory for the year-end peak selling season. Our change in net working capital has historically been relatively stable between 2008 and 2013 with fluctuations between fiscal years predominantly related to timing of VAT and supplier payments. Absent any unforeseen events or change in circumstances, we expect net working capital movements to be neutral to cash flow in the medium term.

Capital Expenditure

The following table sets out our capital expenditures for the periods indicated.

Capital Expenditure

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Euro in millions)		
New stores capital expenditure ⁽¹⁾	15.2	15.7	16.5
Stores maintenance capital expenditure	7.7	5.9	5.7
Store refurbishment capital expenditure	10.2	37.6	26.6
IT and e-Commerce capital expenditure	9.4	13.9	6.6
Other capital expenditure	14.4	7.7	4.2
Total capital expenditure	56.9	80.7	59.6

(1) Under our arrangement with our contractors who perform the work for our new stores, we are required to pay 90% of their fees by completion of the project and the remaining 10% once we have determined that we are fully satisfied with the contractor's work. As a result, capital expenditures with respect to one new store may be spread across two fiscal years.

We expect capital expenditures in Fiscal Year 2014 will total approximately €40 million including store expansion at a normalized rate without compromising the competitiveness of our existing business. Overall, a large part of our future capital expenditures represents discretionary investment in store openings that we are able to defer if needed to provide greater financial flexibility.

New Stores

New stores capital expenditure mainly relates to openings of new stores, both in the Benelux and in international markets, in connection with our disciplined expansion program. Our franchise network has

historically reduced our capital requirements for further store openings. Capital expenditures related to openings of new franchise stores are not included in our capital expenditures, as these are directly borne by our franchisees. Our new stores capital expenditure is expected to increase over the next few years, mainly due to the higher share of directly operated store openings versus franchise stores as part of our international expansion plans, particularly in France.

Stores Maintenance

Maintenance stores capital expenditure mainly relates to required, ongoing maintenance of existing stores. Because our store portfolio is relatively new and was recently refurbished, maintenance stores capital expenditures is expected to remain limited over the next few years.

Store Refurbishment

Store refurbishment capital expenditures mainly relate to refurbishments that are planned on a store-by-store level based on the quality and condition of the store layout. Required expenditures are highly dependent on store size and format. Our store refurbishment capital expenditure has increased over the last few years due to large-scale refurbishments that took place in the second half of Fiscal Year 2012 and is expected to increase only marginally with the opening of new stores.

IT and e-Commerce

IT and e-commerce capital expenditures relate mainly to improvements to our information technology systems and investment in the our e-commerce infrastructure to further expand our multi-channel offering.

Other Capital Expenditure

Other capital expenditure mainly relates to investments to expand our food and catering offering, logistics investments to support our ability to further increase our store base and expand internationally and capital expenditures related to our headquarters.

Contractual Obligations and Off-balance Sheet Arrangements

The following table sets forth our contractual obligations and off-balance sheet arrangements as of February 2, 2014, as adjusted to give effect to the Refinancing:

Contractual Obligations and Off-balance Sheet Arrangements

	Less than 1 year	1-5 years	More than 5 years	Total
	(Euro in millions)			
Notes offered hereby	—	—	715.0	715.0
Revolving credit facility	—	20.0	—	—
Operating leases	94.9	272.5	221.6	589.0
Purchase commitments	152.3	—	—	152.3
Capital expenditure commitments	11.3	—	—	11.3
Total contractual obligations and off-balance sheet arrangements	<u>258.5</u>	<u>272.5</u>	<u>981.6</u>	<u>1,512.6</u>

On the Issue Date, we will enter into the Revolving Credit Facility Agreement in the amount of €80 million. Based on our current estimate of our cash flow and operations, we expect to draw on the Revolving Credit Facility on the Issue Date, in an amount of €20 million due to the seasonality of our business, as we reach a low point in our annual cash cycle in the summer months. The Revolving Credit Facility will mature 4.5 years following the Issue Date. See “Description of Other Indebtedness—Revolving Credit Facility.”

Quantitative and Qualitative Disclosures about Market Risk

Our activities expose us to a variety of market risks. Our primary market risk exposures relate to foreign currency exchange risk and interest rate risk. To manage these risks and our exposure to the unpredictability of financial markets, we seek to minimize potential adverse effects on our financial performance and capital. Where appropriate, we use derivative financial instruments solely for the purpose

of hedging exposure which corresponds to managing the interest rate and currency risks arising from our operations and sources of finance. We do not enter into derivative financial instruments for speculative purposes.

The following discussion and analysis only addresses our market risk and does not address other financial risks which we face in the normal course of business, including credit risk and liquidity risk. For an overview of our financial risk management and financial instruments, see our audited consolidated financial statements and related notes included elsewhere in this offering memorandum.

Foreign Currency Risks

Our international purchase activities expose us to foreign cash flow exchange risks. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar and Hong Kong Dollar. It is our policy to cover substantially all of our foreign exchange transaction exposure in relation to existing firm purchase commitments. To protect the value of future foreign currency cash flows, we enter into forward contracts every time we enter into a purchase commitment in a foreign currency. We estimate the time of payment under the purchase commitment by adding the agreed payment term to the estimated production and shipping time. We were party to foreign currency forwards with a fair value equivalent to €0.5 million of liabilities and €0.3 million of assets as of February 2, 2014.

Interest Rate Risks

We are exposed to risks related to changes in interest rates. The Senior Secured Floating Rate Notes and the Revolving Credit Facility bear interest at variable rates. This exposes us to fluctuations or variability in interest payments due to changes in interest rates. If interest rates increase, our interest expense will also decrease. Additionally, increases in interest rates would cause financing to be more expensive for future projects and acquisitions and would increase the cost of our short-term borrowings. Currently, we hedge our variable rate obligations through the use of interest rate swaps. We may unwind and terminate our outstanding interest rate swaps that we previously entered into in connection with our Existing Credit Facilities, and we estimate we would incur costs of approximately €3.1 million in connection therewith. Alternatively, we may elect to revise and extend such swaps in connection with the issuance of the Senior Secured Floating Rate Notes.

Critical Accounting Policies

Our consolidated financial statements, included elsewhere in this offering memorandum, are prepared in conformity with IFRS as adopted by the EU, which requires us to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, income and expenses, and the disclosure of contingent assets and liabilities. Estimates and assumptions may differ from future actual results. The estimates and assumptions that we consider most critical and that have a significant inherent risk of causing a material adjustment are the following:

Impairment of Non-Current Assets

Determining whether non-current assets are impaired requires an estimation of the recoverable amount of the asset (or cash generating unit). For this purpose, we are required to make estimates and assumptions in respect of future cash flows and the appropriate discount rate. Testing for impairment requires management to make various assumptions, including with respect to discount rates, our future rate of growth and inflation. If the assumed discount rate used for Fiscal Year 2013 increased 1.0%, we would have recognized an impairment loss of €72 million. Similarly, a 1.0% lower growth rate for the next five years would have lead to an impairment loss of €47 million.

Income Taxes

As of February 2, 2014, the HEMA Fiscal Unity, of which we are a part, had estimated tax loss carryforwards of approximately €18.0 million. These tax loss carryforwards can be carried forward nine years under current legislation, thus reducing the HEMA Fiscal Unity's corporate income tax liabilities. For most of the positions in respect of these tax loss carryforwards, no tax assets have been recorded. Significant judgment is required in determining the consolidated provision for income taxes and the recoverable amounts of deferred tax assets related to tax loss carry forward positions.

Financial Derivatives

The balance sheet includes financial derivatives, mainly currency-forward contracts and interest rate swaps. The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined on the basis of valuation techniques performed by an external party.

Share-Based Payments

We calculate the fair value of the share-based payment components of our management equity plan. Significant judgment is required to determine the equity component in this plan.

Pending Changes to Accounting Policies

Our accounting policies are subject to change from time to time. For a discussion of recent and pending changes to our accounting policies, please see note 2 to our annual report as of and for the fiscal year ended February 2, 2014 included elsewhere in this offering memorandum.

INDUSTRY

In this offering memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. We have generally obtained the market and competitive position data in this offering memorandum from industry publications and from surveys or studies conducted by third-party sources. We believe that these industry publications, surveys and studies are reliable. However, we cannot assure you of the accuracy and completeness of such information and we have not independently verified such industry and market data. See “Industry and Market Data.”

In addition, in many cases we have made statements in this offering memorandum regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources; 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. See “Forward-Looking Statements”.

Overview

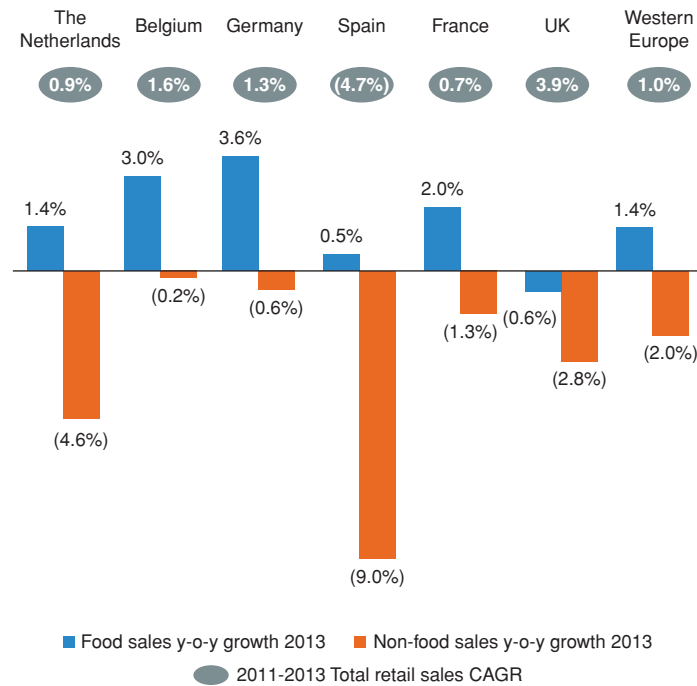
We are active primarily in the Netherlands, Belgium and Luxembourg, with an increasing store network in France and a presence in other markets such as Germany and Spain. In Fiscal Year 2013, 81% of our net sales and 73% of our EBITDA originated from our Dutch operations.

In 2013, the Dutch retail market was valued at approximately €91 billion, with the food retail market representing €42 billion and the non-food retail market representing €49 billion. On a per capita basis, the Dutch market is comparable with other Western European markets with a sizable e-commerce channel. The Dutch retail market is marked by a diversified landscape across international chains, national retail icons and localized operators. Since 2008, the Dutch retail market, has been challenged, with declining GDP, rising unemployment and a reduction in housing prices leading to low levels of consumer confidence and reduced consumer spending. Overall value sales have come under pressure from a combination of lower high street traffic limiting transaction volumes and price conscious consumers trading down. However, recent economic indicators are showing a positive trend and pointing to a recovery. Following an improvement in consumer confidence in the last two quarters, GDP growth is expected to turn positive in 2014, and unemployment rates are set to decrease, which should result in disposable income growth and an improved outlook for the overall Dutch economy.

Market Evolution

Since the onset of the global economic crisis in 2008, the Dutch non-food retail market has been challenged. High levels of unemployment and lower disposable income levels have reduced household expenditures on non-essential items. On the other hand, food retail has been largely stable and has outperformed the wider retail markets, which has generally been consistent throughout major European countries. Following a further decline of consumer confidence in 2012 as a result of a reduction in housing market prices, the Dutch non-food market suffered additional declines. The graph below highlights the 2011–2013 retail sales CAGR per market segment (food and non-food) for selected European countries, illustrating that while the Dutch retail market has remained challenged, this has been a consistent trend across most major European countries. Given that approximately 74% of our net sales are non-food related, we are more exposed to developments within the non-food retail sector. Nevertheless we have demonstrated our ability to consistently expand our business during the economic downturn, growing our net sales from €1,049.1 million to €1,091.3 million between Fiscal Year 2008 and Fiscal Year 2013.

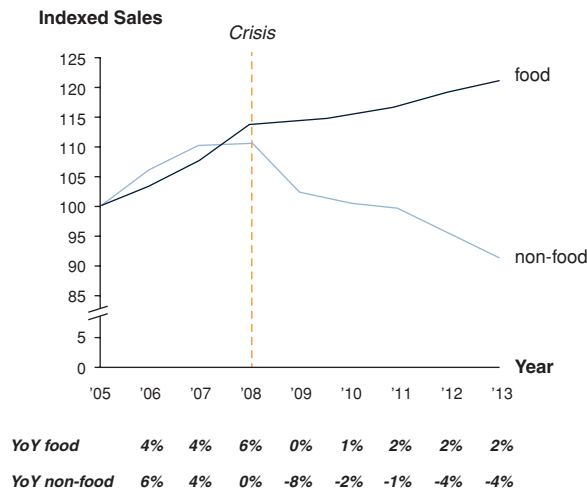
Total Retail Sales: CAGR per Country and by Retail Segment



Source: Central Bureau of Statistics of the Netherlands; Other third party source

The growth in the Dutch food retail market over the last several years has primarily been driven by price increases. The chart below highlights the diverging performance of the Dutch food and non-food retail markets since 2005.

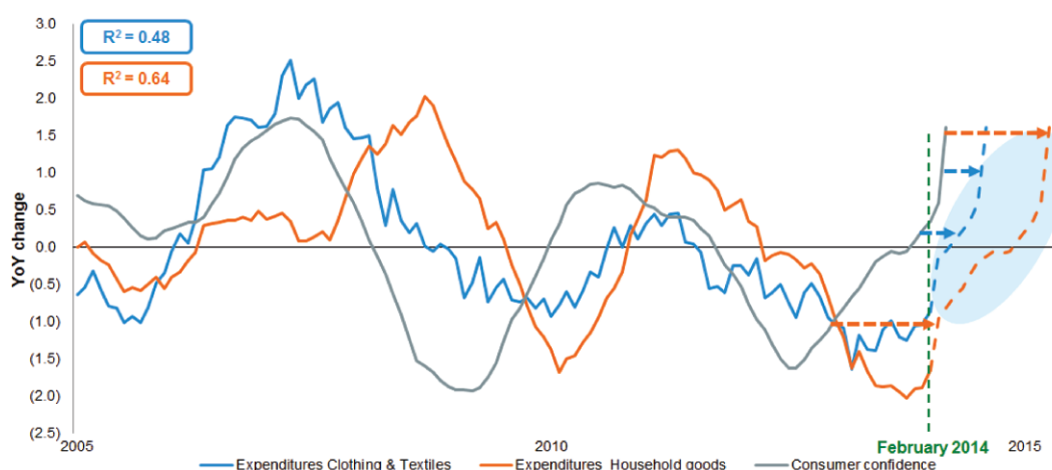
Dutch Market Year on Year Value Sales Evolution



Source: Central Bureau of Statistics of the Netherlands; Third party consultant

Despite being challenged over the last several years, the non-food Dutch retail sector is expected to recover in the near future. Studies have shown that consumers' buying patterns have typically lagged changes in overall consumer confidence by approximately five months for clothing and textiles, and by approximately 13 months for larger household goods. This point is illustrated in the graph below which measures the correlation when consumer confidence data is "time-shifted" accordingly and overlaid with Dutch consumer expenditure data for clothing and textiles and household goods.

Dutch Consumer Confidence and Expenditures Year-on-Year Evolution



Source: Third party consultant

With recent macroeconomic indicators pointing to a recovery in 2014, particularly consumer confidence which has significantly improved over the last two quarters, the historical correlation suggests a meaningful improvement in consumer expenditures can be expected over the next 12 months. We believe we are well positioned to take advantage of this recovery, having invested in various sales and cost savings and margin initiatives which should enable us to resume our growth trajectory in the medium term.

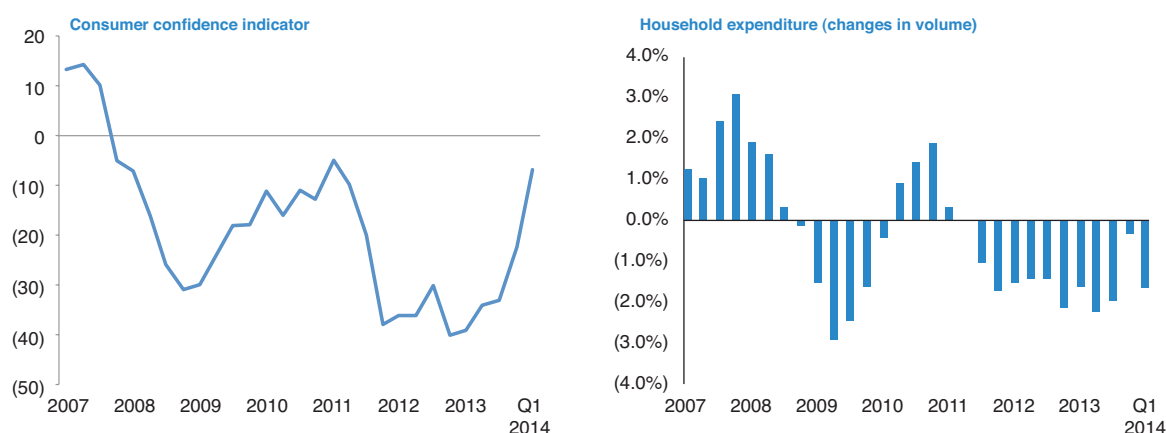
Macroeconomic Developments in the Netherlands

While the Dutch macroeconomic environment is generally aligned to broader economic developments across Europe, in some instances it has lagged behind relevant average Eurozone economic metrics over the last few years.

Real GDP in the Netherlands decreased by 1.3% in 2012 and a further 0.8% in 2013, below the respective Eurozone average declines of 0.6% and 0.4% over the same period. Forecasts suggest Real GDP in the Netherlands will return to positive growth in 2014 and improve further in 2015, broadly in line with the projected average growth rates in the Eurozone.

Consumer confidence and household expenditure also declined between 2011 and 2013, as shown in the graphs below. While a reversal of this trend in consumer confidence has been observed in the last two quarters during which consumer confidence has risen to (-1) in May 2014, household expenditures have remained challenged into early 2014.

Dutch Consumer Confidence and Household Expenditure



Source: Central Bureau of Statistics of the Netherlands

Although unemployment rates in the Netherlands are lower than the Eurozone average, the increase in unemployment between 2012 and 2013 of 1.9% was nearly double the Eurozone average increase of 0.8% over the same period. As a result, the annual average unemployment rate in the Netherlands in 2013 reached 8.3% in 2013, which is the highest annual average unemployment level since 1990. Although the rate increased further to 9.0% for the three months ended March 31, 2014, the rate is expected to return to 8.3% by the end of 2014 and is expected to further decline in 2015.

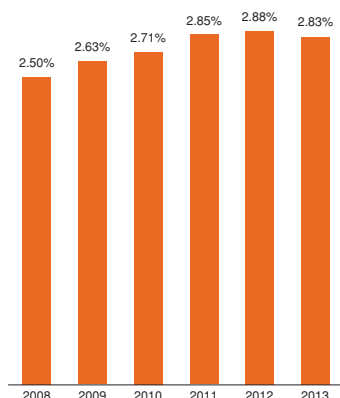
A combination of GDP decline and rising unemployment had an adverse impact on disposable income growth in the Netherlands. In 2013, the disposable income decline was approximately 1.6% with a direct effect on sales volumes and revenues in the Dutch retail market. However, disposable income is expected to increase over the next few years and by the end of 2014 the relevant growth rate is expected to be broadly in line with the expected Eurozone average over the same period.

Market Trends in the Netherlands

Despite the non-food retail market in the Netherlands continuing to be challenged, we have displayed a strong track record of market outperformance during this time, maintaining or growing our leading market position in many of our core product categories since 2008 despite competition from discount retail companies and other competitors. A similar trend can be observed in food retail where we have also maintained or grown market share relative to our competitors.

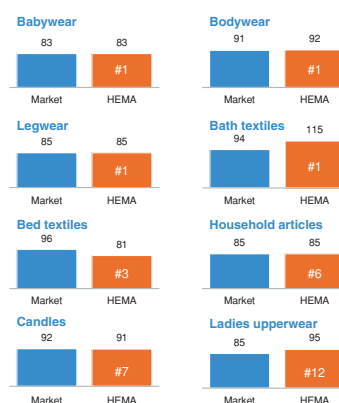
The charts below highlight (i) our estimated market share evolution in the Netherlands since 2008 weighted according to the ratio of our gross sales in each year from Fiscal Year 2008 to Fiscal Year 2013 for apparel, household goods & personal care and food & catering and (ii) our indexed 2010 to 2013 sales growth, compared to the growth of the Dutch retail market, in selected categories including babywear, bodywear, legwear, bath textiles, bed textiles, household articles, candles and ladies upperwear.

HEMA Weighted Market Share Evolution in the Netherlands (2008–2013)



Source: Third party source

Market vs. HEMA (sales index 2010–2013)⁽¹⁾



Source: Third party source

(1) The numbers on the right columns refer to HEMA's market position in the relevant industry.

In 2012 and 2013, a deterioration in the overall market impacted our sales. We experienced some partial share loss in 2013 which was mainly attributable to market dynamics. Both apparel and food & catering were affected by adverse weather conditions while market share loss in household goods & personal care was largely driven by floor space expansion and unsustainable levels of promotional discounting by some of our competitors, which we refused to undertake. Our long term competitive response has been expansion into new products and services which is well aligned with our strategic focus. We largely managed to offset lost market share through adding new product lines (e.g. beauty and Insurances), whilst simultaneously withdrawing from less attractive categories (e.g. do-it-yourself). Overall, this strategy has better aligned our portfolio with the changing shopping preferences of our customers which we believe enhances our positions for the future.

Specific market trends have developed in the Netherlands during the economic downturn that are expected to influence consumer behavior as the macroeconomic environment improves. For example, the significant expansion of retail space by discounters is expected to remain and increased penetration of this

channel will continue to influence overall pricing as it gains social acceptance among middle and upper class consumers. Underlying consumer trends suggest there is a sustainable position for discounters within the market which will continue after the economic recovery. Nonetheless, we believe that we are well positioned to compete in this market environment given our complete value proposition consisting of quality, price, design and reliability, an exciting, original and consistent shopping experience, and an extensive portfolio of prime locations that is difficult for our competitors to replicate. In addition, in response to the emergence of discounters, HEMA continually monitors and modifies its product offering and strategy as necessary in product categories where there is potential overlap. For example, in certain product categories, we have an option at the entry price point to directly compete with discounters. Separately, the pre-crisis building boom has led to an over-supply of retail space in the Netherlands. In the short term, we believe this overcapacity will suppress rent levels outside town and city centres.

The number of internet users in the Netherlands is projected to reach 96.9% of the population by 2020, and combined with the growing popularity of smartphones and other web-enabled handheld devices, will potentially create a new and significant consumer base. The convenience factor remains a key driver for online shopping followed by the ease of comparing prices and pursuing promotions online. This trend will require retailers to use consumer intelligence and data analysis of their customers' search patterns to set pricing levels and further develop convenient sales and pick-up channels. Online transactions are expected to continue to gain share as the fundamental market shift towards e-commerce continues. New delivery models (e.g. click and collect) will facilitate this migration. The internet also offers opportunities in marketing such as e-mail advertising, blogs, internet TV and discussion forums generating room for new business ideas. We believe our multi-channel offering of physical stores and a significant online platform allows us to reach customers wherever they want to shop, and our expansion into mobile and tablet applications further serves our customers and changing consumer preferences.

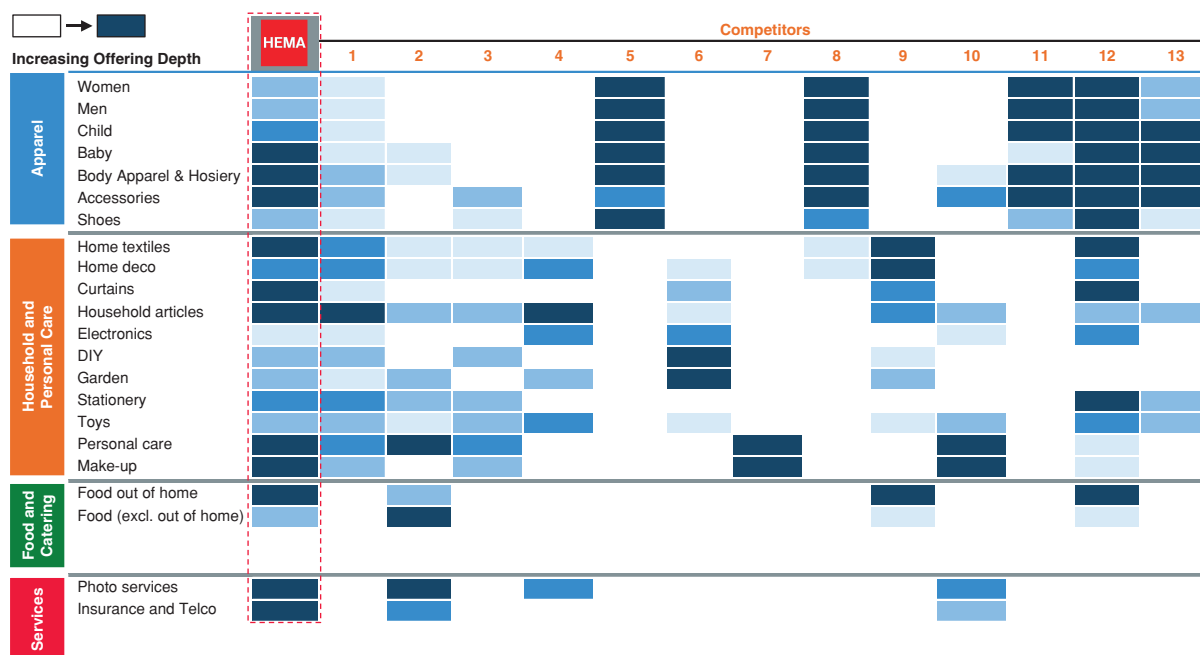
In terms of food retailing, grocery continues to outperform non-grocery retail benefiting from the fact that during the economic downturn consumers have increasingly adapted to eating at home and purchasing food from grocers instead of dining out at restaurants. In addition, grocery retail is less vulnerable to the economic crisis given that consumers continue to buy necessary items and overall is less affected by internet retailing when compared to non-grocery retailing.

Competitive Landscape

The Dutch retail market is highly competitive and diversified, combining established international chains with national and localized operators for food and non-food retailing. Within our key product areas, there are a number of organizations which operate purely on-line (known as "pure play"), as well as a number of organizations which operate across a variety of channels including bricks and mortar and on-line. We believe we are the only retailer in the Netherlands from discounters to department stores of significant scale to offer a multi-channel offering across a range of product categories in both food and non-food retail.

As a result of HEMA's breadth of product offering across both food and non-food retail, we believe we do not have a direct competitor in the Dutch market with limited risk from any single competitor given our product range across apparel, household goods, personal care, food catering and services categories. The below chart gives an indicative overview of our key competitors in each of our four major product segments.

HEMA Breadth and Depth of Product Offering vs. Key Competitors

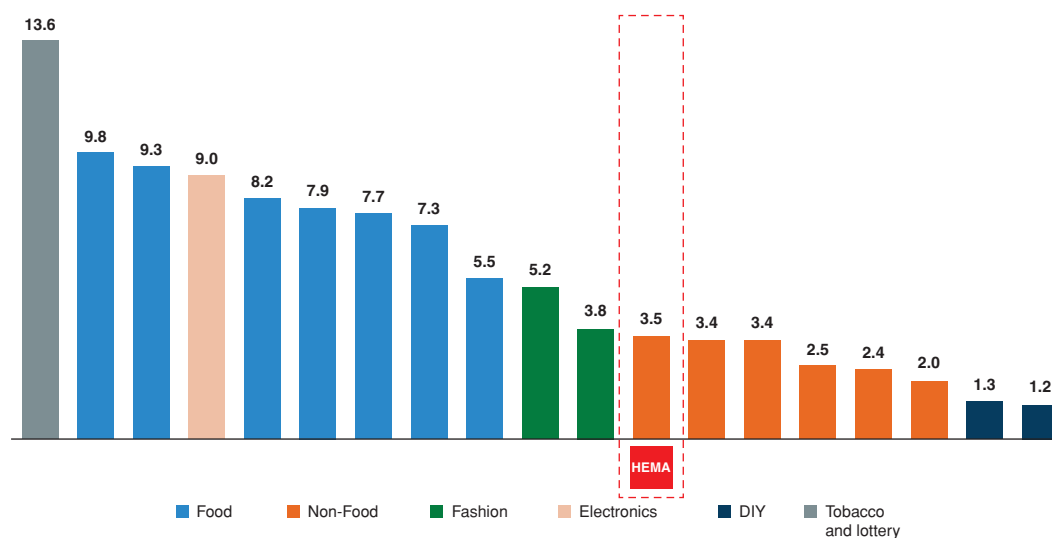


Source: Third party consultant; Other third party source

(1) Increasing depth reflected in shadow density.

Among our non-food retail peers, we believe we had the highest sales density in 2013. Industry sources also suggest we are within the top six retailers in the Netherlands by revenue and within the top ten retailers by number of stores.

2013 HEMA Sales Density (sales per sqm) vs. Key Competitors



Source: Third party consultant

Note: HEMA represents directly operated stores in the Netherlands.

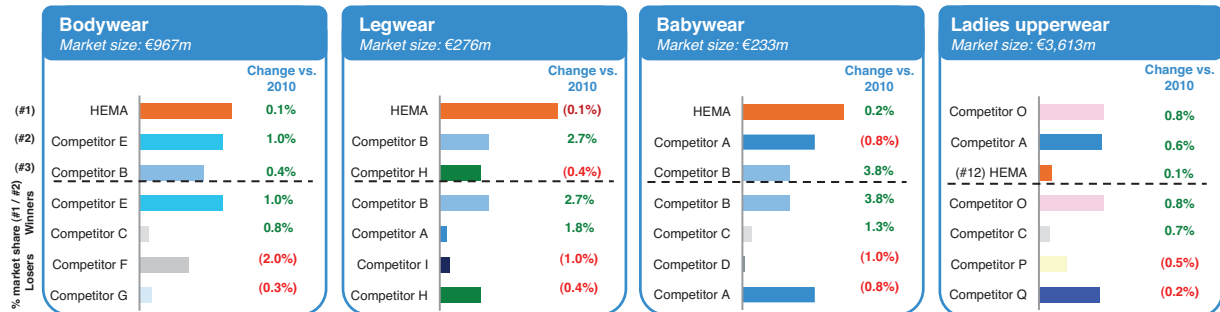
Non-Food retailing

In 2013 the non-food retail market represented 54% of the Dutch retail market.

In apparel we primarily compete with international value apparel chains such as H&M and C&A and domestic diversified retail chains such as V&D and Zeeman. We compete with these retailers in selected categories with design orientated basics. In 2013 we were the leading retailer in core apparel product

categories such as bodywear (Dutch market size of €967 million), legwear (Dutch market size of €276 million) and babywear (Dutch market size of €233 million) with an increasing presence in the large category of ladies upperwear (Dutch market size of €3,613 million). As demonstrated in the chart below, since Fiscal Year 2010 we have maintained or grown our market share versus our competitors in each of these categories.

HEMA Market Position in Bodywear, Legwear, Babywear and Ladies Upperwear (2010–2013)

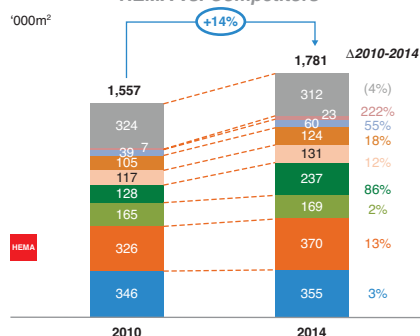


Source: Third party source

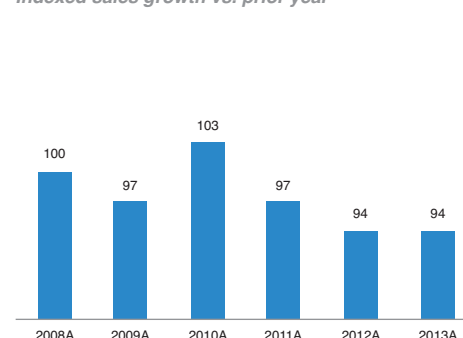
The following graphs illustrate the evolution of retail store space within the Dutch apparel market between 2010 and the first quarter of 2014 as well as the indexed change in market size of the overall Dutch apparel market. Year-on-year sales growth in the overall Dutch apparel market decreased by 6% in each of 2012 and 2013, while store space for apparel retailers increased by 14% as of early 2014 compared to 2010.

Dutch Apparel Market: Store Space and Market Evolution

Store space evolution for Apparel retailers, 2010-2014 YTD
HEMA vs. Competitors



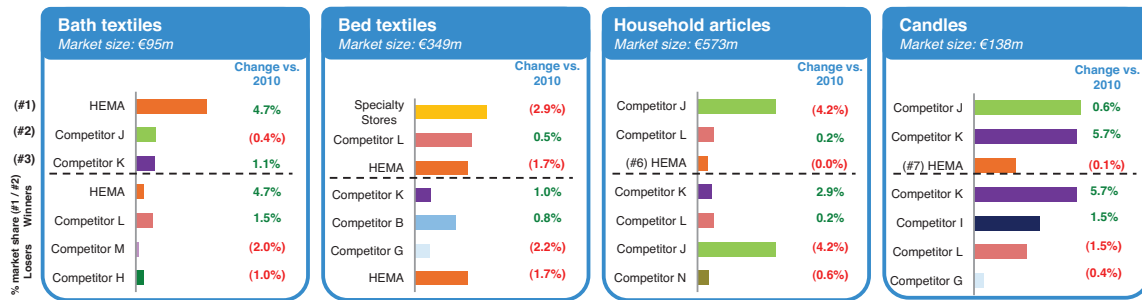
Apparel Market Evolution (2008A-2013A)
Indexed sales growth vs. prior year



Source: Third party consultant; Other third party source

Our main competitors in the household goods and personal care retail markets are IKEA, Blokker and Action. In 2013 we were the leading retailer in bath textiles (Dutch market size of €95 million) and had a leading position in bed textiles (Dutch market size of €349 million), household articles (Dutch market size of €573 million) and candles (Dutch market size of €138 million). As demonstrated in the charts below, in bath textiles, we have expanded our market position since 2010 while in household articles and candles we have maintained share and have reduced our position in bed textiles versus our competitors.

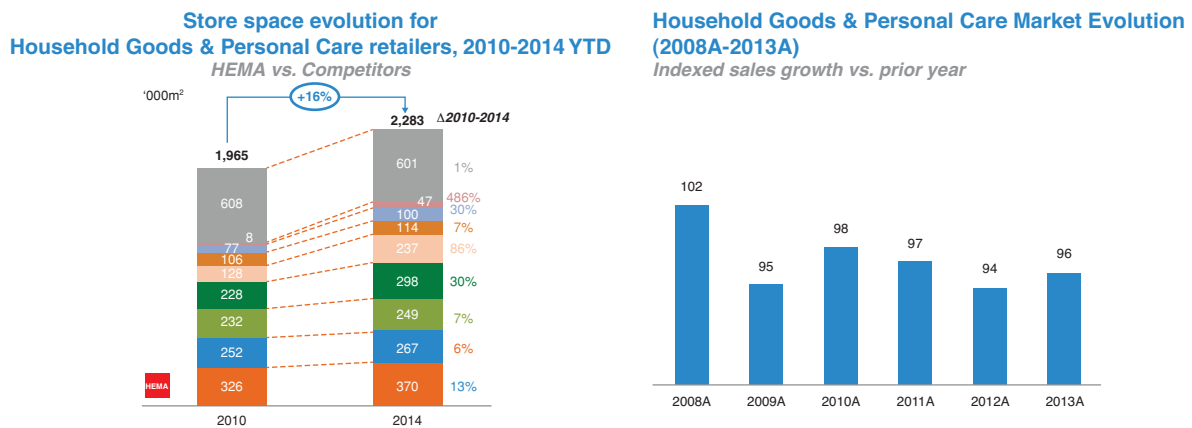
HEMA Market Position in Bath textiles, Bed textiles, Household articles and Candles (2010–2013)



Source: Third party source

The following graphs show the evolution of retail store space within the Dutch household goods & personal care market between 2010 and the first quarter of 2014 and the indexed change in market size of the overall Dutch household goods & personal care market. Year-on-year sales growth in the household goods & personal care market decreased by 6% in 2012 and decreased by 4% in 2013, respectively, while store space for the hard goods market increased by 16% in 2014 compared to 2010.

Dutch Household Goods & Personal Care Market: Store Space and Market Evolution



Source: Third party consultant; Other third party source

Food retailing

As of December 31, 2013, food retailing represented 46% of the Dutch retail market. It is primarily conducted within the brick & mortar channel with limited e-commerce penetration. In our food business we compete primarily with Albert Heijn. Food retailing in the Netherlands has continued to outperform the overall retail market throughout the macroeconomic downturn.

BUSINESS

Overview

We are a general merchandise retailer active in the Netherlands, Belgium, Luxembourg, France and Germany, with a recent expansion into Spain and a planned expansion into the United Kingdom in the summer of 2014. We design, market, sell and distribute our products through our own stores, our network of branded franchise stores and our e-commerce platforms (including mobile and tablet applications). Our products feature original and contemporary design and substantially all are HEMA branded. We offer an extensive range of products from everyday basic household necessities and a limited food assortment to affordable non-discretionary items, including cosmetics, stationery, basic ladies and menswear, babywear, towels and “impulse-driven” purchases. Our products present limited fashion risk due to their simple and timeless design.

Our value proposition is to provide our customers with a combination of quality, price, design and reliability, which we believe is unmatched in the market, and an exciting and original shopping experience, making us a key destination for household shopping. Our customers value this approach, as demonstrated by high levels of customer loyalty and our high percentage of repeat customers. We aim to be less expensive than department stores and to offer better quality products, a broader assortment and a better shopping experience than any discount retail company. Our product offering is very broad, but with a high degree of pre-selection and distinctive design within each category. We have been serving Dutch consumers since 1926, underpinned by our strong brand image and our approach of “making the ordinary extraordinary.” As a result of our longevity and the quality of our offering, the Dutch population frequently refers to us as a “Dutch institution.” In the Netherlands and Belgium, we enjoy near universal brand awareness (100% and 97%, respectively) among customers across all age and income categories. According to a third-party survey, 85% of Dutch consumers shopped at HEMA at least twice in 2013 and we consistently rank highest in consumer surveys in key shopping criteria such as quality, design and service.

Our products are currently sold through our network of 674 stores, with an average of almost six million customers visiting our stores on a weekly basis, and through our growing internet sales platform, with almost 67 million online visits in Fiscal Year 2013. Beyond our core markets, we have expanded our network of stores into other European countries, particularly in France, where we have achieved critical mass, demonstrating the extendibility of the HEMA brand and the viability of both our international retail concept and expansion strategy. We are continuing our expansion internationally, including into Spain, where we opened our first store in April 2014, and into the United Kingdom, where we expect to open our first stores in the summer of 2014. To supplement our physical stores, we market and sell substantially all the products that we offer in our stores, other than most of our food products, through our fully transactional websites (including on mobile and tablet applications). Our multiple sales and distribution channels allow us to reach our customers wherever and however they want to shop.

Our Pro forma Adjusted EBITDA (as defined herein) was €127.8 million in Fiscal Year 2013. Despite two significant macroeconomic downturns in our core markets, particularly in the Netherlands, we grew net sales from €1,049.1 million in Fiscal Year 2008 to €1,091.3 million in Fiscal Year 2013 and grew gross profit as a percentage of net sales by 330 basis points from 42.7% of net sales to 46.0% of net sales over the same period. Further, since Fiscal Year 2008 we have maintained or improved our market position in many of our core product categories despite competition from discount retail companies and other competitors. We believe that we have achieved this because we bring together a combination of competitive strengths that differentiates us from other retailers. We offer a complete value proposition consisting of quality, price, design and reliability, an exciting, original and consistent shopping experience, and an extensive portfolio of prime locations in the Benelux that is difficult for our competitors to replicate. In addition, we have increased free cash flow from €59.0 million in Fiscal Year 2011 to €81.1 million in Fiscal Year 2013 while undertaking and completing a substantial store refurbishment program across our 40 largest stores in the Netherlands to further strengthen our store portfolio. Given improvements in Dutch consumer confidence in recent months, we believe we will experience an improvement in our Dutch retail sales in the near future. We are currently focused on driving profit growth through a number of cost savings and margin initiatives, which, once fully implemented, we estimate will generate approximately €21 million in annual run-rate savings (including €7.3 million of annual cost savings attributable to the head office restructuring completed in early 2014).

We have four product divisions (apparel, household goods & personal care, food & catering and services & other) divided into different units and categories. Across these divisions, we carry approximately 180

product groups and an annual total of approximately 30,000 SKUs, with up to 17,000 SKUs in-store at any one time depending on the store format. Our product divisions are as follows:

- **Apparel** (€376.7 million net sales in Fiscal Year 2013, representing 34.5% of our total net sales). This product division comprises ladies and menswear, baby and children's wear, bodywear, legwear and fashion accessories. As of December 31, 2013, we were the market leaders, measured by consumer sales, in babywear, bodywear and legwear in the Netherlands.
- **Household Goods & Personal Care** (€369.9 million net sales in Fiscal Year 2013, representing 33.9% of our total net sales). This product division comprises household articles, home and bath textiles, living items, do-it-yourself and recreational products, stationery, seasonal products, toys and personal care items, including cosmetics. As of December 31, 2013, we were the market leaders, measured by consumer sales, in bath textiles and among the leading retailers of cosmetics in the Netherlands.
- **Food & Catering** (€286.9 million net sales in Fiscal Year 2013, representing 26.3% of our total net sales). This product division comprises catering, wine, pastry, sweets and convenience food products. As of December 31, 2013, we were among the leading retailers of fresh pastry in the Netherlands measured by consumer sales.
- **Services & Other** (€57.8 million net sales in Fiscal Year 2013, representing 5.3% of our total net sales). This product division comprises specialized and customized products and services, such as Insurances and notary services sold through our e-commerce platform and photo prints and albums sold online and in our stores. As of December 31, 2013, we were the market leaders, measured by consumer sales, in photo prints and albums in the Netherlands.

We market and sell our products through our own stores, our network of branded franchise stores and online. As of the end of the first quarter of Fiscal Year 2014, we operated a total of 674 stores, comprising 529 stores in the Netherlands, 101 stores in Belgium and Luxembourg, 33 stores in France, 10 stores in Germany and one store in Spain. Of these stores, approximately 61% are directly operated and 39% are franchised, with all our franchise stores located in the Netherlands. Our stores are classified into eight formats in terms of size and assortment depending on location, catchment area and customer profile, and are positioned in prime retail locations with high footfall. Our store sizes currently range from 17 square meters to approximately 3,500 square meters and carry between 3,000 and 17,000 SKUs at any one time depending on store format. Our internet business, launched in 2001, has grown rapidly across product categories and geographies and is highly frequented, with almost 67 million visitors in Fiscal Year 2013.

Our integrated and flexible business model encompasses in-house design, purchasing and merchandising departments, along with an in-house logistics and distribution division fully aligned to serve our entire store network and e-commerce operations. Our in-house design team develops concepts for our HEMA-branded product lines and, with the occasional support of freelance and third party designers, supervises their implementation through the design and sourcing of new or improved products. The products are then manufactured by our worldwide suppliers and purchased, merchandised and marketed by our in-house teams. The distribution of our products begins in our two distribution centers in Utrecht (Lage Weide), and is carried out by our own fleet and employees to our own stores and franchisees (except for the distribution of non-bakery food products and the home delivery of products sold on our e-commerce platform, which are carried out by specialized third parties).

Our Strengths

We believe that our strong position in the retail market results from the following principal strengths:

Leading Market Positions in the Benelux

We occupy a distinctive position in our core Benelux markets due to the broad range of products we offer. In the Netherlands, as of December 31, 2013, we were the market leaders by value of consumer sales in babywear, bodywear, legwear, bath textiles and photo prints and albums and among the leading retailers of cosmetics and fresh pastry. We estimate that in Fiscal Year 2013, we provided one out of three children's underwear and babies' bodysuits, one out of four towels, one out of four ladies' legwear, one out of five nail polishes and one out of five men's pajamas to consumers in the Netherlands, and sold 1.7 million fitted sheets, 7.2 million sausages and 6.1 million "Tompouces", our specialty pastries, all HEMA-branded.

We have maintained or improved our market position in many of our core product categories since Fiscal Year 2008, notwithstanding significant store space expansion by our competitors (including discount retail

companies) and a challenging macroeconomic environment. We also achieved one of the highest sales densities among our Dutch non-food retail peers in 2013. We believe that our leading market positions are the key to achieving profitability and maintaining a competitive advantage because, as market leaders, we are better able to leverage our scale in negotiating price terms with our suppliers and distribute our products throughout our store network in a more cost-efficient manner.

Our stores are classified into eight formats depending on their size, location and catchment area and are positioned in prime retail locations with high footfall. Due to the limited availability of these types of locations and the strict planning regulations in the Benelux countries, our portfolio of prime locations is difficult for competitors to replicate and reinforces our leading position in these markets. We believe that our positioning, and the fact that we often serve as anchor tenants in our locations, make us an attractive tenant to landlords and provide substantial leverage in negotiating and securing current and future rental agreements.

In 2013, the Dutch retail market was valued at approximately €91 billion, with the food retail market representing €42 billion and the non-food retail market representing €49 billion. On a per capita basis, the Dutch market is comparable with other Western European markets with a sizable e-commerce channel. The Dutch retail market is marked by a diversified landscape across international chains, national retail icons and localized retailers. Since 2008, the Dutch retail market has faced significant challenges, with declining GDP, rising unemployment and a decline in the housing market, leading to low levels of consumer confidence and depressed consumer spending. Overall value sales have come under pressure from a combination of reduced high street traffic limiting transaction volumes and price conscious consumers trading down. The housing market can also affect our business, as sales of household goods benefit from housing moves and renovations, which tend to decline in weak housing markets. However, recent economic indicators are showing a positive trend and pointing to a recovery. Following improvement in consumer confidence in the last two quarters, GDP growth is expected to turn positive in 2014, and unemployment rates are set to decrease, which should result in disposable income growth and an improved outlook for the overall Dutch economy. See “*Industry—Overview.*” We believe we are in a strong position to increase our like-for-like sales with the upturn of the market, considering our leading position in our core markets and stable market share throughout the recent economic challenges.

Iconic Brand with Significant Brand Awareness and Loyalty

The HEMA brand, which promises to “make the ordinary extraordinary”, is distinctive and trusted in the Benelux. With over 85 years of history, we have grown to enjoy near universal brand awareness in the Netherlands and Belgium (100% and 97%, respectively). As a result of our longevity and the quality of our offering, Dutch consumers frequently refer to us as a “Dutch Institution” and 85% of Dutch consumers shopped at HEMA at least twice in 2013. Based on a recent customer survey in the Netherlands, we polled as the leader among retailers for the quality, style and range of our products, and polled as the second highest retailer for attractive prices. Substantially all our products are HEMA-branded and we believe our brand has strong appeal across the Dutch population, and has demonstrated our increasing ability to attract French consumers. The income, age and gender distribution of our customers mirrors that of the Dutch population and the universal appeal of our brand across the Benelux has allowed us to expand into new product categories as well as establish new store formats, resulting in a broadened addressable market.

Supported by our distinctive and iconic brand, we seek to differentiate HEMA from our competitors by offering an attractive combination of quality, price, design and reliability in all our products. Surveys show that customers value this approach, choosing us over our competitors, because of the quality, style, diversity and value of our product offering, which has resulted in high levels of customer loyalty and repeat customers. We aim to deliver a consistent customer experience that reinforces our brand promise and increases sales through positive perceptions of design, selection and value. We offer products at a carefully calibrated mix of price points within each of our product categories in order to attract and maintain loyal customers across all income demographics, and to effectively compete with both discount and higher-end retailers. Our in-house team designs the concept of our HEMA branded products and works collaboratively with our in-house purchasing, merchandising and marketing teams and suppliers to ensure that the promise of our brand is delivered across our entire range of products.

We have received several awards for the strength of our brand in the Dutch retail market. For example, an independent survey prepared by EURIB (European Institute for Brand Management) recognized us for the sixth consecutive year as the most indispensable brand in the Netherlands, which was based on responses of thousands of consumers who were asked which particular brand in their market they would

miss the most. We also received the 2013 Customer Centric DNA Award in the retail category for our commitment to modern, high-quality products, comprehensive design proposition and highly affordable prices; two 2013 VROUW Awards by De Telegraaf, in the website and living categories, an award set up for products and retailers that improve the lives of women; the award of best chain store for baby and children's fashion during the ABN AMRO Best Chain Store Event 2013; and the 2014 Nationale Thuiswinkel Award for best webshop in finance & personal services. Our iconic position was also recognized by the honorable visit of Her Majesty Queen Máxima of the Netherlands on October 1, 2013 to one of HEMA's distribution centers to officially open a three-day national event on pension matters, as well as by the launch of "HEMA the Musical" in Dutch theatres.

Diversified Business Across our Operations

Our business is diversified across our operations. Within the Netherlands, where the majority of our stores are currently located, we have developed six formats for our stores. These stores range from large established flagships and destination stores, to medium-sized stores in suburban shopping centers and high streets, to local and smaller convenience stores in high-traffic locations. Our international stores follow two formats, one specifically designed for our stores in Luxembourg and Belgium, and the other, our "HEMA International" or "HINT" concept, designed specifically for our stores in Germany, France and for our further international expansion into Spain and the United Kingdom. Our formats and store locations are designed to address a range of different catchment areas and customer profiles, including town centers, smaller suburbs and some larger retail parks. It is through this multi-format approach that we reach our customers wherever it is they want to shop on any particular day.

This range of store formats is complemented by the diversity of our product offering, with HEMA representing a destination store for non-discretionary necessities, including basic apparel for all ages, household goods & personal care items, baked goods and convenience foods and services, as well as a range of impulse purchases. We believe that the variety of our product offering attracts significant customer footfall, generating sales across all our product categories. The diversity of our products offered, and the protection from fashion risk provided by the simple and timeless design of our products, help reduce our exposure to the cyclical nature of specific categories within the retail market.

Our stores are conveniently located and are designed to offer our customers an enjoyable shopping experience. As of the end of the first quarter of Fiscal Year 2014, our store network comprised 674 stores, with a total selling space of approximately 471,000 sqm. We estimate that on average almost six million customers visit a HEMA store every week. In Fiscal Year 2013, we estimate that we had almost 367 million total customer visits, comprised of approximately 300 million visits to our HEMA stores and almost 67 million visits to our HEMA e-commerce websites.

We market and sell our products through our own stores in all countries in which we operate, a significant number of franchise-operated stores in the Netherlands and a growing e-commerce platform across products and geographies. Through these multiple channels, we can cater to a variety of consumer shopping preferences and better reach customers wherever they want to shop. In addition, our investments into mobile and tablet applications allow HEMA to continue to adapt to changing consumer preferences.

Outside our core markets of the Benelux, we have achieved geographical diversity through our stores in Germany, our strong presence in France, and our expansion into Spain, where we recently opened our first store, and into the United Kingdom, where we intend to open our first stores in the summer of 2014. Our plans for further expansion, particularly in France, Spain and the United Kingdom, will strengthen our geographic diversification and further protect our overall business from macroeconomic conditions in any individual country.

Differentiated Retail Proposition with Extensive Product Offering

We offer an extensive collection of products from everyday basic non-discretionary necessities to affordable impulse-driven purchases, and focus on providing a great combination of quality, price, design and reliability. We aim to be less expensive than department stores and to offer better quality products, a broader assortment and a better shopping experience than any discount retail company. Our product offering is very broad, but with a high degree of pre-selection and distinctive design within each category. Our in-house design team develops concepts for our HEMA-branded product lines and, with the occasional support of freelance and third party designers, supervises their implementation through the design and sourcing of new or improved products. This allows us to fully manage quality control and product innovation, consistent with our brand positioning, and helps differentiate us from our competitors.

Our product range comprises a variety of discretionary and non-discretionary apparel and household goods & personal care products, complemented by our food & catering and services offerings. We aspire to offer great value-for-money to our customers. Our price positioning, combined with the consistency and quality of our offerings across our products, has enabled us to maintain or grow our leading market position within many of our core product categories. As a result, we have become a destination store for essential family necessities. Our approach has enabled us to deliver strong net sales performance despite the recent challenging macroeconomic conditions.

Significant e-Commerce Presence

In recent years, we have developed a significant e-commerce presence, with almost 67 million online visits and €170 million in internet sales in Fiscal Year 2013. In addition, our investments into mobile and tablets applications has allowed HEMA to continue to adapt to changing consumer preferences and to better reach consumers wherever they want to shop. Our e-commerce platform received the 2013 VROUW Award by the De Telegraaf; the 2013 Esprix Award for our influence on the behavior of consumers; and the 2014 Nationale Thuiswinkel Award for best webshop in finance & personal services.

We have grown our internet sales from €83 million in Fiscal Year 2009 to €170 million in Fiscal Year 2013, representing a compound annual growth rate of 19.6%. We have invested in our e-commerce platform by developing websites with online ordering capabilities in each of the countries in which we operate, as well as through investing in a separate distribution center for our e-commerce operations to facilitate expansion, which benefits from full connectivity with our main distribution center. Through our e-commerce platform, we offer nearly the full range of SKUs available in our stores, other than most food products. Certain additional products and services, such as Insurances, notary services and personalized photography items, are only available online.

Approximately 69% of the products purchased in the Netherlands on our e-commerce platform were collected in store instead of delivered directly to the customer. This generates additional footfall for our stores and our franchisee stores, and creates opportunities for cross-selling while at the same time improving the profitability of our online business as it is less costly to fulfill orders that are picked up in our stores versus orders delivered directly to our customers. We have also leveraged our online presence to strengthen our brand identity and awareness internationally. By enabling customers in regions where we do not currently have a significant physical presence to purchase our goods conveniently online, we can develop a loyal HEMA customer base prior to the arrival of new stores in our growing markets. Additionally, we have entered into arrangements to offer HEMA products in France on Amazon France and LaRedoute as a way to increase brand awareness in international markets.

Strong Asset Base Benefitting from Recent Investments

We have recently made significant investments in our business. We have invested approximately €197.2 million in store refurbishment and other capital expenditure investments between Fiscal Years 2011 and 2013. Additionally, since the beginning of 2007, we have opened over 35% of our 529 stores in the Netherlands. We have improved our supply chain through automation and the expansion of our main distribution center to enhance integration and serve a significantly growing number of stores efficiently, and, in 2012 and 2013, have completed the refurbishment of 40 of our largest stores in the Netherlands. As a result, we believe we have a well-invested asset base which will support the expansion of our business with moderate capital expenditure requirements over the medium-term. Capital expenditures in Fiscal Year 2013 were €60 million and we expect capital expenditures in Fiscal Year 2014 will be approximately €40 million.

We operate an integrated supply chain that encompasses an in-house design team, purchasing and merchandising departments and a logistics and distribution division. We have two fully-integrated distribution centers in the Netherlands, located in Utrecht (Lage Weide). One distribution center serves our entire store network, while the other (a modern distribution center established in 2011) exclusively serves our e-commerce operations. Both our directly operated stores and franchise stores are fully integrated with our supply chain, which allows for both optimal efficiency and monitoring. Our in-house design team is dedicated to the development of new product line concepts for our HEMA-branded product lines with an original and contemporary design which can be offered at attractive prices. The products are then manufactured by our suppliers in Europe, the Middle East and the Far East and merchandised and marketed by our in-house teams. Our design team works in close collaboration with our

in-house purchasers and merchandising specialists to ensure that any new designs or refinements to existing products are deliverable at the appropriate cost in a seamless and efficient process.

Our supply chain has recently undergone significant improvements which have greatly enhanced the quality of support to our business. Our distribution centers are highly automated and our processes and equipment are modern and sophisticated, and deliver a high standard of operation. For example, store deliveries are picked and prepared in our main distribution center with nearly 100% accuracy. As a result, stores no longer need to check the accuracy of deliveries, which improves in-store productivity. In addition, store deliveries are packed in line with the layout of the individual store to facilitate the stocking process. Furthermore, we have implemented a modern forecast and supply chain management system. Through this system, we are able to track and forecast daily demand for each SKU in each store for the next twelve months, based on trading data from the past four years. These forecasts allow us to fine-tune the availability of our products on a store-by-store basis to more precisely meet customer demand, calculate lost sales due to stock-outs and better avoid similar lost sales in the future. They also support the development of more flexible ordering and delivery facilities in conjunction with our e-commerce platform. The system is integrated throughout our supply chain. Each demand forecast flows backwards through the supply chain and ultimately supports the design and purchasing decisions. We have also introduced workforce management systems that manage staffing levels on the basis of the in-store activities to be performed at any particular time, rather than plan the activities to be performed on the basis of staff available at such time.

We have invested in an extensive store refurbishment program which will position us for like-for-like sales growth. The completion of this refurbishment program has allowed us to present our products in more exciting and organized ways which showcase new stock, and also support our in-store pickup and delivery options. Our refurbished stores more closely reflect our brand identity and make the HEMA shopping experience easier and more pleasurable for consumers. In 2012 and 2013, we implemented our refurbishment program through refitting our approximately 40 largest stores in the Netherlands in order to enhance the HEMA customer experience. The key elements of the refurbishment program were renovations and expansions, improving layout, introducing new presentations, optimizing “impulse alleys” and enhancing the ambience of our stores. With this significant investment in our brand and our stores, we believe we are well-positioned to increase like-for-like sales and profitability growth in our existing stores without the need for significant capital expenditures in the near future.

Long-term Record of Growth and Cash Generation

We have generated strong cash flow throughout the economic downturn, and have achieved an average cash flow conversion of 64% between Fiscal Year 2008 and Fiscal Year 2013. For Fiscal Years 2011, 2012 and 2013, our free cash flow was €59.0 million, €82.3 million and €81.1 million, respectively, despite undertaking our substantial store refurbishment program. We have demonstrated our ability to consistently expand our business. We increased net sales from €1,049.1 million in Fiscal Year 2008 to €1,091.3 million in Fiscal Year 2013 and, we believe, increased our gross profit margin by 330 basis points, from 42.7% to 46.0%, over the same period. While our results declined in Fiscal Year 2013, this reflected the difficult conditions in the Dutch non-retail food sector, as well as efforts by us to retain our margins and not match the more aggressive and unsustainable levels of discounting by some of our competitors. We believe we are now well positioned to benefit from improvements in the Dutch economy, with consumer confidence improving in 2014 and our store refurbishment program completed.

From Fiscal Year 2008 to Fiscal Year 2013, we maintained capital expenditures and brand investment at levels we believe will significantly benefit future revenue growth and profitability, while simultaneously enabling us to reduce debt and deleverage. We have a history of deleveraging, and have been able to use operating cashflow to delever from publicly reported from net borrowings to Adjusted EBITDA of 7.8x as of July 5, 2007 to net borrowings to pro forma Adjusted EBITDA of 4.8x as of February 2, 2014.

Highly Talented and Experienced Management Team

We have a highly talented, experienced and focused management team that has a demonstrated ability to improve our business. The members of our management team have significant industry and technical knowledge with over 115 years of combined experience in the retail industry. In addition, the broader operations team reporting to senior management has been with HEMA for an average of 6.4 years. Ronald van Zetten has been our CEO since 2003, and was the CEO of HEMA in Belgium from 1995 to 1998. He has implemented a number of successful initiatives that have improved our results and overall performance

and has successfully navigated a challenging macroeconomic environment. Ad Walter, our CFO, brings over 20 years of retail experience, including as CFO and CEO of Praxis Group, a leading Dutch do-it-yourself company. Our management team is highly incentivized with a strong focus on increasing profitability and cash generation. We believe that the collective industry knowledge and leadership of our management team and their record of accomplishment in the industry will enable them to continue to execute our strategy effectively and deliver strong financial results in the future. We also benefit from the extensive market experience and strong track record of our principal shareholder, Lion Capital, which focuses its investment strategy on consumer-retail businesses and Lion Capital's support of our strategic direction and expansion plans.

Our Strategies

Our objective is profitable top-line growth both in existing markets and in new markets that will position us to take advantage of a recovery in the Dutch retail market. We plan to achieve this objective by:

Optimizing our Brand and Differentiated Customer Proposition to Leverage the Upcoming Recovery of the Dutch Economy

We intend to develop our brand further by building on our differentiated customer proposition as a leading general merchandise retailer of everyday products based on our brand promise of “making the ordinary extraordinary.” Our brand proposition serves a broad range of customers varying in age, taste and income levels. One of our key priorities is to have our in-house buying, merchandising and design teams leverage our responsive and efficient supply chain to quickly and continually bring stylish products at attractive prices to our customers, and to ensure there will be new and exciting products each time they visit us. We aim to ensure that our in-house buying, merchandising and design teams fully embrace and maintain a disciplined and rigorous approach in their buying decisions, so that each new product is aligned with our brand identity. Building on this framework, we will continue to develop and expand selected product ranges to meet changes in demand and evolving consumer preferences. For example, we believe there is opportunity for us to increase our penetration in established markets in key product categories such as beauty & underwear. We also aim to maximize footfall, particularly during earlier hours, through expansion of our famous €1 breakfast in our store cafeterias.

We plan to further expand our business in our core markets while reducing our level of investment versus the last two years by focusing on sales initiatives to increase our like-for-like sales, including better in-store merchandise, SKU rationalization and the introduction of new product categories and food items. We will also continuously work to identify and capitalize on new opportunities for growth, both in our existing product portfolio and beyond. Our HEMA Beauty offering, which offers a distinctive cosmetics retail experience delivered through an inspirational in-store environment, is now in 111 of our existing stores in the Benelux and France and starting in autumn 2014, we plan to introduce HEMA Beauty to more of our existing stores. We also plan to offer gift assortments in our stores so as to strengthen our position as a year-round-stop shop for gifts. Furthermore, we are constantly refining our store formats to address our four areas of focus: value, experience, convenience and sustainability, with initiatives, including promoting impulse purchases at low prices at check out, organizing stores for easy navigation, implementing inspiring product presentations and more exciting shopping routes and providing explanations about the origin of our products. As part of our broader promotion strategy, we are also aiming to increase connectivity with our customers through brochures and in-store specials. We believe our extensive store network in the Netherlands, Belgium and Luxembourg, our presence in Germany, our increasing international presence in other markets such as France, Spain and the United Kingdom, and our expanding e-commerce capabilities (including mobile and tablet applications) will reinforce future market growth and leadership.

Increasing Sales Through International Expansion

We will continue to implement an international multi-channel strategy to further diversify our geographic positioning and deliver increased profits outside of our core markets of the Netherlands, Belgium and Luxembourg. We intend to increase sales in our international markets through the continued rollout of our existing formats and the introduction of new formats.

France is the focus of our immediate international expansion plans, with approximately 15 new stores planned in Fiscal Year 2014, with a similar planned expansion rate over the next several Fiscal Years. Our French stores have sales densities in line with our best performing Dutch stores and have demonstrated strong EBITDA performance. Like-for-like sales performance in France has been strong, growing 10.8%,

10.6% and 7.7% in Fiscal Years 2011, 2012 and 2013, respectively. New non-pilot French stores have an estimated payback period of 2.1 years, on average, and all our non-pilot French stores have generated positive EBITDA since opening. We intend to maintain our long-standing presence in Belgium and Luxembourg and our newly-remodeled stores in Germany and to expand our presence in Spain and the United Kingdom. We opened our first store in Spain in April 2014, and have planned our first three store openings in the United Kingdom for the summer of 2014. We have aligned our proposition, both in terms of product offering and format, to account for differences in consumer preferences in these different countries. For example, in France we offer approximately 6,000 SKUs (instead of up to 17,000 SKUs offered in Dutch stores at any one time) with more products focused on household goods & personal care categories. The existing international stores have been re-modeled and all new international stores will be modeled according to our HEMA International (“*HINT*”) concept, a variation of the conventional formats in the Benelux. The *HINT* format carries substantially fewer SKUs, including no fresh food offering and less apparel, with products categorized and grouped together by reference to their category (i.e., bathroom, kitchen and living room) and displays put in place to direct customers’ attention to specific high volume and inspirational products.

We identify new sites based on a variety of investment criteria, including demographics, proximity to locations of our existing stores and competitors, availability of suitable retail space and local economic conditions. We follow a stringent assessment and selection process guided by predetermined thresholds for the estimated internal rate of return.

Maximizing our Potential in E-Commerce and Multi-Channel Sales

The number of internet users in the Netherlands is projected to reach 96.9% of the population by 2020 and, combined with the growing popularity of smartphones and other web-enabled handheld devices, has the potential to create a new and significant consumer base. Convenience remains a key driver for online shopping followed by the ease of comparing prices and pursuing promotions online. See “*Industry—Market Trends in the Netherlands.*”

We believe that, with almost 67 million visitors to our websites in Fiscal Year 2013, we have a well established and growing e-commerce customer base, supported by our fully transactional website and successful mobile and tablet applications (which already comprise 6% of all our internet sales in Fiscal Year 2013 the first year of operation) and our modern distribution center which exclusively serves our e-commerce operations (while being fully integrated with our main distribution center). Additionally, we have entered into arrangements to offer HEMA products on Amazon France and LaRedoute as a way to increase our brand awareness in international markets. We have grown our internet sales from €83 million in Fiscal Year 2009 to €170 million in Fiscal Year 2013, representing a compound annual growth rate of 19.6%, notwithstanding the global economic downturn during this period and the significant impact this has had in the Netherlands, our core market. We believe this solid infrastructure also allows us to easily expand and adapt our e-commerce platform and overall product offering to further serve our customers and changing consumer preferences.

As one of our sales initiatives, we intend to increase traffic to our e-commerce platform by adding third-party brands with high order values in complementary and growing online categories. We also intend to grow our healthcare Insurance online platform, which already represents a current portfolio of 30,000 paying customers.

Approximately 69% of the products purchased in the Netherlands on our e-commerce platform were collected in-store instead of delivered directly to the customer. This generates additional footfall for our stores and our franchisee stores, and creates opportunities for cross-selling while at the same time improving the profitability of our online business as it is less costly to fulfill orders that are picked up in store versus orders delivered directly to our customers. We have also leveraged our online presence to strengthen our brand identity and awareness internationally. By enabling customers in regions where we do not have a significant physical presence to purchase our goods conveniently online, we can develop a loyal HEMA customer base prior to the arrival of new stores in our growing markets. Additionally, we have entered into arrangements to offer HEMA products in France on Amazon France and LaRedoute as a way to increase brand awareness in international markets. Based on the above, we believe we can maximize our potential in our e-commerce platform and improve our overall results with our multi-channel offering.

Improving Operating Performance Through Cost Savings and Margin Initiatives

We have increased our focus on cost efficiencies and savings through implementation of initiatives focused on increasing margins and optimizing our resources. A strong operational focus on cost control has been established, and we plan to achieve significant cost efficiencies in Fiscal Year 2014 and beyond, which will enable us to continue to reinvest in our business. We have improved our operational activities, resulting in cost savings and efficiencies at various levels of the business. This includes lowering labor costs at the head office, stores and distribution centers, reorganizing the buying process between buying and merchandising to improve efficiency, improving the quality of deliveries to stores, further inventory optimization and general cost control. For example, we estimate we will achieve approximately €7.3 million of annual cost savings from the restructuring of our head office (without taking into account one-off restructuring costs and related consultancy fees), which has already been completed in Fiscal Year 2014.

We continue to identify further cost savings opportunities which we intend to pursue, including cost savings through centralized buying and renegotiating our supply arrangement. We also expect to derive certain additional cost efficiencies and savings and a focus on tighter inventory management as a means to reduce markdowns. We are also targeting an improvement in labor productivity within our Dutch stores by reducing the number of employee hours. Overall, we estimate that these cost savings and margin initiatives, once fully implemented and together with those we have already undertaken, will generate approximately €21 million in annual run-rate savings (including €7.3 of annual cost savings attributable to the head office restructuring completed in early 2014).

History and Development

We were incorporated in Amsterdam in 1926 as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands. Our first HEMA store opened in 1926 and was modeled after the successful “penny” stores concept originating from the United States. HEMA stands for “Hollandsche Eenheidsprijzen Maatschappij Amsterdam” or “Unit Pricing Company Amsterdam.” Over time, however, quality and design have become an increasingly important aspect of our product offering and gradually facilitated the retirement of unit pricing post-War. The involvement of the “Union of Housewives” played a critical role in the transformation of HEMA during the post-war period by ensuring that products were of a high standard and suitable for private use and consumption.

HEMA was founded by the luxury department store De Bijenkorf N.V. and remained part of the same group of retail companies (Maxeda B.V. formerly Vendex KBB) until 2007. On July 6, 2007, funds managed by Lion Capital acquired the old HEMA B.V. from its then owner Maxeda B.V. using an intermediary holding company, HEMA Holding B.V. (formerly known as Lisus B.V.). On September 11, 2007, pursuant to a legal merger, the old HEMA B.V. ceased to exist, while the recipient company HEMA Holding B.V. was renamed HEMA B.V. Since then our store network has been expanding rapidly in the Netherlands, Belgium, Luxembourg, France and Germany, counting 666 stores as at February 2, 2014, in an effort to capitalize on the strong demand for HEMA products. We opened our first store in Spain in April 2014, and we intend to open our first stores in the United Kingdom in Fiscal Year 2014.

The following table sets forth certain key milestones in our business:

Year	Description
1926	First HEMA store opened in the Netherlands
1958	First HEMA franchise store opened in the Netherlands
1964	Distribution center opened in Utrecht (Lage Weide)
1984	First HEMA store opened in Belgium
2001	E-commerce business launched with website HEMA.nl
2002	First HEMA store opened in Germany
2005	First HEMA AA format store opened in the Netherlands
2006	First HEMA store opened in Luxembourg
2006	HEMA trade office opened in Southeast Asia
2007	HEMA acquired by Lion Capital
2008	Fully updated logistical system completed
2009	200th HEMA franchise store opened in the Netherlands
2009	400th HEMA store opened
2009	First HEMA store opened in France
2010	HEMA opens distribution center for e-commerce in Utrecht
2011	600th HEMA store opened
2012	HEMA begins store refurbishment program
2013	HEMA provides health Insurances in the Netherlands
2014	First HEMA stores in Spain and the United Kingdom

Market Positioning

HEMA Brand

We aspire to provide customers across all age and income demographics with an extensive collection of products, from everyday basic household necessities to affordable impulse-driven purchases, all with the iconic HEMA brand. Our overarching brand promise is to “make the ordinary extraordinary” by offering high-quality items with the HEMA signature of original, contemporary designs at attractive prices.

Substantially all the products sold in HEMA stores are HEMA-branded with a combination of quality, price, design and reliability which customers have become accustomed to for over 85 years. As such, the brand enjoys exceptional recognition and loyalty among consumers and is perceived as a destination for household shopping for a number of everyday products, including bodywear, household articles, babywear, legwear and stationery. According to a third party survey, 85% of Dutch consumers shopped at HEMA at least twice in 2013.

The strength of the HEMA brand and the preservation of the values it encompasses are paramount to the success of our business. As such, our strategy is focused on continuously refining and strengthening the HEMA brand through product selection, updated styling, strict quality control, effective value enhancement, as well as improving the customer shopping experience through convenient store locations and effective presentation within our stores. For example, our design, buying and supply functions are closely integrated to ensure that the product offering reflects the strategy and values of HEMA. Our money-back guarantee, which applies even if a receipt is not provided upon return, enhances the level of service we provide and builds brand equity with our customers.

Our business is frequently referred to as a “Dutch Institution” by the local population. Our loyal customer base continues to embrace our new ideas, such as new products, locations and formats, which confirms the powerful nature of our brand. We have received several awards for the strength of our brand in the Dutch retail market. For example, an independent survey prepared by EURIB (European Institute for Brand Management) recognized us for the sixth consecutive year as the most indispensable brand in the Netherlands, which was based on responses of thousands of consumers who were asked which particular brand in their market they would miss the most. We also received the 2013 Customer Centric DNA Award in the retail category for our commitment to modern, high-quality products, comprehensive design proposition and highly affordable prices; two 2013 VROUW Awards by De Telegraaf, in the categories

website and living, an award set up for products and retailers that improve the lives of women; the award of best chain store for baby and children's fashion during the ABN AMRO Best Chain Store Event 2013; the 2014 Nationale Thuiswinkel Award for best webshop in finance & personal services. Our iconic position was also recognized by the honorable visit of Her Majesty Queen Máxima of the Netherlands on October 1, 2013 to one of HEMA's distribution centers to officially open a three-day national event on pension matters, as well as by the launch of "HEMA the Musical" in Dutch theatres.

Customer Demographics

We target the entire population that is active in the retail market in terms of age and income. Both the age and income distribution of our customers closely mirror that of the entire Dutch population, highlighting the very broad appeal of the brand and our slogan "Everybody shops at HEMA." Our increasing focus on design has also raised our appeal to the younger demographic. Based on a survey performed by us in 2014, 77% of our core customer base in the Netherlands is comprised of women or families with children, reflecting a solid base of household customers.

The table below illustrates the current age distribution of our customers versus that of the Dutch population, as of May 2014.

	Age range					
	16-25	25-35	35-45	45-55	55-65	65 & older
% of Dutch consumers	9%	14%	17%	24%	21%	15%
% of HEMA customers	9%	17%	22%	24%	17%	11%

Source: Third party source.

The table below illustrates the current income distribution of our customers versus that of the Dutch population, as of May 2014.

	Social class				
	A	B1	B2	C	D
Total Market	24%	34%	24%	15%	2%
HEMA customers	25%	34%	25%	13%	3%

Source: Third party source.

Product Offering

Product Assortment

We have four product divisions (apparel, household goods & personal care, food & catering and services & other) divided into different units and categories. Across these divisions, we carry approximately 180 product groups and an annual total of approximately 30,000 SKUs, with up to 17,000 SKUs in-store at any one time depending on the format. Our product divisions are as follows:

- **Apparel** (€376.7 million net sales in Fiscal Year 2013, representing 34.5% of our total net sales). This product division comprises ladies and menswear, baby and children's wear, bodywear, legwear and fashion accessories. As of December 31, 2013, we were the market leaders, measured by value of consumer sales, in babywear, bodywear and legwear in the Netherlands.
- **Household Goods & Personal Care** (€369.9 million net sales in Fiscal Year 2013, representing 33.9% of our total net sales). This product division comprises household articles, home and bath textiles, living items, do-it-yourself and recreational products, stationery, seasonal products, toys and personal care items, including cosmetics. As of December 31, 2013, we were the market leaders, measured by value of consumer sales, in bath textiles and among the leading retailers of cosmetics in the Netherlands.
- **Food & Catering** (€286.9 million net sales in Fiscal Year 2013, representing 26.3% of our total net sales). This product division comprises catering, wine, pastry, sweets and convenience food products. As of December 31, 2013, we were among the leading retailers of fresh pastry in the Netherlands.
- **Services & Other** (€57.8 million net sales in Fiscal Year 2013, representing 5.3% of our total net sales). This product division comprises specialized and customized products and services, such as Insurances and notary services sold through our e-commerce platform and photo prints and albums sold online

and in our stores. As of December 31, 2013, we were the market leaders in photo prints and albums in the Netherlands.

The table below shows our net sales split by product group for the periods indicated. Each line item is also expressed as a percentage of total net sales for the period.

Net Sales by Product Division

	Fiscal Year					
	2011		2012		2013	
	(52 weeks ended January 29, 2012)		(53 weeks ended February 3, 2013)		(52 weeks ended February 2, 2014)	
	(Unaudited)		(Unaudited)		(Unaudited)	
	(Euro in millions, other than percentages)					
Apparel	418.9	36.4%	403.9	35.0%	376.7	34.5%
Household goods & personal care	397.1	34.5%	390.8	33.9%	369.9	33.9%
Food & catering	270.0	23.5%	290.3	25.2%	286.9	26.3%
Services & other	63.5	5.5%	67.9	5.9%	57.8	5.3%
Total net sales	1,149.5	100.0%	1,152.9	100.0%	1,091.3	100.0%

We are focused on bringing to the market products that are fully aligned with the core values of our brand. As such, all styling and assortment decisions are aimed at providing a differentiated alternative to other products in the marketplace and one that achieves a high value proposition in terms of price, quality, design and reliability. We aim to keep our assortment current and up-to-date. When relevant, we have successfully re-launched certain product categories by renewing the assortment and enhancing the product presentation within the store. We have also launched a beauty store-in-store concept (HEMA Beauty) that exclusively sells beauty and personal care products with distinctive packaging in an attractive setting. We constantly review and, when appropriate, refresh our assortment and strive to create new best-selling products to reinforce our strong position and increase footfall.

We carry up to 30,000 SKUs across the product range, with up to 17,000 SKUs in our largest stores at any one time depending on the season, which helps us provide customers with a credible and extensive offer. We continuously refresh the ranges in each product category. While we will continue to introduce new products, we also plan to reduce our overall SKUs in favor of higher volume items to improve efficiencies and increase our like-for-like sales.

Category Management

At the end of Fiscal Year 2014, we reorganized our design and sourcing operations to reflect our renewed focus on the formats of our stores. Our operational structure is headed by a format director responsible for ensuring that all store formats are optimized for profitability. Our employees are divided by the store format they service, and though each format division has a certain amount of internal buying, stock planners, and styling capacity, its main function is to liaise with HEMA's generalist stock planners, buyers and stylists to determine and fulfill the appropriate assortment of products for one particular store format.

Iconic Products

Certain of our product designs are of particular significance. These are items that over the years have proven favorites for our customers and form part of the essence of our brand. In the Netherlands, as of December 31, 2013, we were the market leaders, by value of consumer sales, in babywear, bodywear, legwear, bath textiles and photo prints and albums and among the leading retailers of cosmetics and fresh pastry. For example, we estimate that in Fiscal Year 2013, we provided one out of three children's underwear and babies' bodysuits, one out of four towels, one out of four ladies' legwear, one out of five nail polishes and one out of five men's pajamas to consumers in the Netherlands, and sold 1.7 million fitted sheets, 7.2 million sausages and 6.1 million "Tompouces," our specialty pastries, all HEMA-branded. Our in-store photo processing kiosks represent a key footfall generator for HEMA stores.

Innovations and Renewals

Our ongoing product strategy focuses on the continuous refreshment of our existing product ranges and the introduction of new products to keep the assortment current. In order to continuously renew and

revitalize customer appeal for products, we focus on a number of key elements to increase product appeal. These include altering fabrics and colors, shapes and sizes, adjusting products to reflect the appropriate season and also the introduction of new products into categories or even new categories altogether. These focus areas will often be combined to support the product strategies and initiatives.

This is an ongoing process throughout the year that involves all of our product divisions, except for our services division, and is particularly visible in our apparel division. The frequency of innovations varies considerably depending on the product category. For example, simple and basic products such as white t-shirts are not renewed throughout the year, while more personalized products, such as printed t-shirts may change several times a year. We have also successfully introduced new products to stores via our annual design contest, whereby students are asked to take an existing product and develop an innovation around it. The winning product is then introduced into the stores. Through this contest, we launched several products which have proven to be successful in stores and online.

We are also continuously reviewing and implementing initiatives to further increase footfall and conversions. For example, we introduced small in-store cafeterias, which attract customers to our stores. In 2012, we redesigned our cafeterias to clearly communicate the HEMA brand identity and include child play areas. As the diversity of our product offering stretches across a wide range of product categories, we are able to add new product categories without changing the overall brand and customer proposition, as we did with the introduction of notary services on our e-commerce platform, increasing the number of site visits and broadening our product offering. This allows us to more easily and successfully adapt to changing market conditions.

As part of our innovation initiatives, starting from autumn 2014, we are planning to roll out HEMA Beauty to more of our stores as well as offer a one stop shop service for gifts through new product assortments. The table below sets forth other examples of our innovation and renewal initiatives to enhance our sales.

Product Focus	Description/Example
Fabrics	Introduction of a durable cotton fabric called “Real Lasting Cotton”.
Colors	Introduction of new colors guided by trends and seasonality.
Shapes/Size	Introduction of shapewear in lingerie.
New Products	Introduction of edible photos on cakes and coffee cups.
Seasonality	Introduction of summer sportswear.

Product Development

In our constant pursuit of meeting our customers’ day to day needs and appealing to changing preferences, we are committed to developing new products through our in-house concept development department.

The concept of our HEMA branded products is designed by our in-house team in our Amsterdam offices, responsible for the conceptual design of new product lines and the refreshment of the existing assortment. The product design is sometimes developed with the support of third parties engaged for specific projects. Once developed, the new product concepts are provided to specialized outsourced designers that will develop the product design itself. The products are then manufactured by outsourced selected suppliers. The outsourcing process is supervised by our in-house designers and quality assurance department. The outsourcing of product manufacturing allows us to concentrate on quality control and product innovation, consistent with our brand positioning and differentiated from our competitors.

Our designers search for the most appropriate product concepts worldwide, applying the results of surveys with our customers and general consumers to track the most current trends. New products are then developed or our existing assortment is then refreshed to better cover the current consumer preferences, strengthening our brand positioning as an innovative retailer. We aim to create original and contemporary designs for basic goods to reduce the risk of our stock going out of fashion. Our concept design team works in close collaboration with our in-house purchasing and merchandising departments to ensure that any new designs or refinements to existing products are deliverable at the appropriate combination of cost and complexity in a seamless process. New products are frequently first launched on our e-commerce platform to gauge market reaction, in an attempt to reduce risks of excessive inventory of unpopular products.

Quality Assurance

We are strongly committed to the safety and quality of our products. Product safety and the public’s perception that our products are of good quality, safe and healthy are essential to our image and business.

We apply stringent standards as part of our quality assurance system and have a quality assurance team in our offices in the Far East and headquarter in Netherlands that monitors the safety and quality of our products and compliance with legal requirements.

Our quality assurance system covers our whole product assortment (including our food products) and all of our facilities (i.e., our industrial bakeries and restaurants). We implement different quality assurance systems for food and non-food products. In respect of non-food products, every new or potential manufacturer is assessed as to whether it is capable to manufacture our products in compliance with our guidelines and minimum requirements. The shipments of every manufacturer are inspected by an independent third party with a certain frequency depending on the risk level of the product and manufacturing process. In addition, samples of the products may be randomly taken for analysis, with special attention paid to high risk products such as toys, electrical appliances and child use and care articles. The results of the shipment inspections and the results of any non-compliant sampling are shared with our Far East buying desk and our quality assurance department headquartered in the Netherlands.

In respect of food products, we prepare a set of specifications for each product describing the detailed ingredient composition of the relevant product and certain information about its supplier, such as evidence of the certified operational food safety system for the production and production site. Our bakeries have in place the appropriate and certified food safety systems and our restaurants have an operational food safety system. Hygiene and food safety standards in our restaurants are monitored twice a year by an independent third party. Based on a risk analysis, samples of the products produced by us or by our suppliers are subject to microbiological analysis and its results, along with the results of the outsourced inspection on hygiene and food safety in our restaurants, are shared with our food purchasing department, our regional and operating managers and our stores (whether directly operated or franchises).

Price Positioning

While the majority of our products are positioned at the low-to-middle range of the retail price spectrum, we attract a much broader customer demographic, given our extensive collection of products from everyday basic household necessities to affordable non-essential retail products. Therefore, we operate for certain of our products a “Good-Better-Best” price strategy, which allows us to maximize sales and to compete more effectively with various participants in the market. This strategy applies across part of the store portfolio both in the Netherlands and internationally and across the product divisions range.

Our pricing strategy also includes the use of “volume spots” and “every-day-low-price” items. The strategy is aimed at increasing frequency and delivering better value, by offering low prices for items bought frequently, which enhances our price perception. The strategy focuses on fast-moving non-food items from the “better” product range, and fresh food and catering items, which are presented at “volume spots” in stores at dramatically reduced prices. Supported by a focused marketing campaign, “volume spots” are a key driver of traffic to our stores. Increased sales volumes enable us to negotiate volume-driven discounts from suppliers to partially offset the margin loss due to the price reduction. The volume presentation is accompanied by an increased overall focus on “every-day-low-price” items, which increases frequency and conversion. As a result, we need to rely less on high/low promotions and clearance sales, which reduces complexity and is margin accretive. This also reduces the number of SKUs, which further reduces complexity for our in-store activities and supply chain.

Marketing and Publicity

Marketing Strategy

Our advertising and communication strategy is crucial to the promotion of our brand, products and network and is designed and implemented throughout our business. We pursue an active marketing strategy aiming at generating high levels of store footfall, and, in combination with our promotional campaigns launched throughout the year, raising product and brand awareness. We also advertise our sales channels such as new store openings and e-commerce platforms. Our advertising media is mainly comprised of brochures, television, radio, Internet, national and local press and direct mailing, poster sites and in store. In Fiscal Year 2013, we spent €25.5 million on our marketing, advertising and publicity operations.

Promotions

Our promotional strategy is prepared semi-annually and updated on a frequent basis and customized in accordance with each market. It primarily comprises our fortnightly promotional brochure and end-of-season markdowns. These are further supplemented by television and radio advertisements, billboards, advertisements in local newspapers, flyers and some other occasional teasers.

Our promotional brochures and catalogs are issued and delivered to approximately 4.5 million households in the Netherlands via low-cost local distributors. Our brochures are designed on the basis of specific strategic guidelines developed by senior management in consultation with all the product category managers. In addition to our more standard brochures, we now also advertise our assortment in lifestyle catalogs, providing our customers more inspiration and insight about our products. Our brochures allow HEMA to proactively promote price actions on selected units and to highlight new product introductions and innovations, while our catalogs present our products in context in an attractive and accessible format.

Promotions have always been an area of focus for HEMA as it allows management to determine the appropriate balance between footfall, conversions, margins and inventory levels. In addition, it allows us to increase connectivity with our customers. During difficult trading environments, the number of promotions tends to increase due to consumers' greater price sensitivity. End-of-season markdowns are not pre-determined but instead are largely supported by the success of the product offering and inventory management. Management typically introduces such markdowns at lower levels and adjusts them over time depending on their degree of success until the target result is achieved. Over time, this process has become increasingly effective and targeted, enabling HEMA to achieve the same increases in footfall while offering fewer items on promotion and lower markdowns.

We launched our Folderine campaign for our 200 food stores, our "Flierefluiter" campaign for our Spring collection, our World Championships campaign as well as our "Op Hol" campaign for the promotion of a variety of products.

Sales Channels

HEMA Stores

As of the end of the first quarter of Fiscal Year 2014, we operated a total of 674 stores, comprising 529 stores in the Netherlands, 101 stores in Belgium and Luxembourg, 33 stores in France, 10 stores in Germany and one store in Spain. Of these stores, approximately 61% are directly operated and 39% are franchised. All our franchise stores are located in the Netherlands. Over 35% of our 529 stores in the Netherlands have been opened since 2007. We plan to expand our domestic and international store network with approximately 20 new owned stores, including 15 in France, in 2014. The table below sets forth our store network evolution over the last three Fiscal Years.

Store Network Summary

	Fiscal Year		
	2011	2012	2013
	(52 weeks ended January 29, 2012)	(53 weeks ended February 3, 2013)	(52 weeks ended February 2, 2014)
	(Unaudited)	(Unaudited)	(Unaudited)
	Number of stores (at end of period)		
The Netherlands	492	517	528
Directly operated	247	260	269
Franchised	245	257	259
Belgium and Luxembourg	91	96	100
France	8	15	28
Germany	10	10	10
Total	601	638	666
Directly operated	356	381	407
Franchised	245	257	259
Total net selling space (sqm in thousands)	443	459	471

During Fiscal Year 2013, the Netherlands accounted for 81% of our net sales, Belgium and Luxembourg 13%, France 4% and Germany 1%, while the remaining 1% accounts for sales to third parties delivered from HEMA bakeries, wholesales, e-commerce (home delivery only) and financial services ("other").

During Fiscal Year 2013, our directly operated stores accounted for 72% of our net sales, our franchise stores for 27% and “other” for 1%. The table below shows our net sales split by country for the periods indicated. Each line item is also expressed as a percentage of total net sales for the period.

Net Sales by Region

	Fiscal Year					
	2011		2012		2013	
	(52 weeks ended January 29, 2012)		(53 weeks ended February 3, 2013)		(52 weeks ended February 2, 2014)	
	(Unaudited)		(Unaudited)		(Unaudited)	
	(Euro in millions, except percentages)					
The Netherlands	966.6	84.1%	956.1	83.0%	882.6	80.9%
Belgium and Luxembourg	141.7	12.3%	145.5	12.6%	143.5	13.1%
France	12.5	1.1%	21.9	1.9%	39.0	3.6%
Germany	12.0	1.0%	11.7	1.0%	11.1	1.0%
Other ⁽¹⁾	16.7	1.5%	17.7	1.5%	15.1	1.4%
Total net sales	1,149.5	100.0%	1,152.9	100.0%	1,091.3	100.0%

(1) Includes sales to third parties delivered from HEMA Bakeries, wholesale, e-commerce (home delivery only), financial services and other.

The table below shows our net sales split by channel for the periods indicated. Each line item is also expressed as a percentage of total net sales for the period.

	Fiscal Year					
	2011		2012		2013	
	(52 weeks ended January 29, 2012)		(53 weeks ended February 3, 2013)		(52 weeks ended February 2, 2014)	
	(Unaudited)		(Unaudited)		(Unaudited)	
	(Euro in millions, except percentages)					
Directly operated stores	812.1	70.6%	820.4	71.2%	786.9	72.1%
Franchisees	320.7	27.9%	314.7	27.3%	289.3	26.5%
Other ⁽¹⁾	16.7	1.5%	17.8	1.5%	15.1	1.4%
Total net sales	1,149.5	100.0%	1,152.9	100.0%	1,091.3	100.0%

(1) Includes sales to third parties delivered from HEMA Bakeries, wholesale, e-commerce (home delivery only), financial services and other.

Formats

We pursue a multi-format strategy specifically designed to better reach customers wherever and however they want to shop. We continuously work on improving and refurbishing our selling spaces to achieve optimal product presentation. We have invested approximately €197.2 million in store refurbishment and other capital expenditure investments between Fiscal Years 2011 and 2013.

Our stores can be classified into eight key formats with sizes ranging from approximately 15 to 3,500 sqm to cater for different market sizes, catchment areas and functions. Whilst each store format has its own layout, all stores carry substantially the same product categories with the smaller stores carrying a more limited assortment within each of the product categories and groups. From an SKU standpoint, HEMA stores carry between 3,000 and 17,000 SKUs, depending on the season and their format. Although assortment and layout are largely standardized among stores of the same format, within each of the eight key formats some stores may be tailored to the specific catchment area characteristics. For example, smaller stores do not carry luggage items, but the small store at Schiphol airport does offer suitcases.

The table below sets forth our format summary as at the end of and for Fiscal Year 2013.

Format Summary	AA	A	B	C	D	High Traffic	HEMA Intern.	Belgium/Lux.
Total stores	106	195	145	52	17	13	38	100
Directly operated	70	115	32	33	17	2	38	100
Franchised	36	80	113	19	0	11	0	0
Function/Catchment	Smaller catchments	Local stores	Main towns and high streets	Destination shop	Flagship	Convenience	High street and shopping centers	Variety
Optimal store size (m ²)	275	450	1,100	1,500	2,000	175	450	450-1,000
Average store size (m ²)	318	467	1,113	1,489	2,105	168	479	550
Average SKUs	8,000	10,000	15,000	17,000	17,000	3,000	6,000	10,000-15,000

We have developed our format strategy over time and in accordance with the evolution of our brand. For example, the B, C and D formats represent earlier openings in high quality locations and there are relatively few opportunities to open such stores today, other than by refurbishing or enlarging existing stores or relocating on an opportunistic basis, due to the build-up of cities and the development of the retail markets.

More recently, we introduced two new categories to complement the conventional stores, namely HEMA AA and HEMA High Traffic. The HEMA AA format targets smaller catchment areas in the Netherlands (approximately 10,000 inhabitants) and has enabled us to further penetrate the Dutch market. The HEMA High Traffic format targets high traffic areas such as railway stations and Schiphol airport. We believe that the current rate of expansion through the HEMA AA and HEMA High Traffic formats, and increasing internet sales, has resulted in a minimum cannibalization effect in terms of net sales on the existing store network as these formats each target new catchment areas and as such represent an expansion to the business. We believe that our brand and proposition are sufficiently strong in the Benelux to enable the development of additional formats or further rollout of existing formats.

Product Presentation

Store lay-out and in-store product presentation are key aspects to achieve conversion rates. We continuously seek for ways to enhance the store layout and product presentation whilst ensuring a greater level of standardization across the store network. We have implemented a store-wide plan to increase our like-for-like sales through, among other initiatives, the improvement of shopping convenience and in-store communication. We have improved our product presentations and provided a greater sense of direction to the assortment through communication aides.

Store Network in the Netherlands

As of May 4, 2014, our network of stand-alone stores in the Netherlands was comprised 269 directly operated stores and 260 franchise stores. The network covers the entire country and includes all the key store formats (AA, A, B, C, D and High Traffic), except for the HEMA International (HINT) format that is only applied outside the Benelux.

The vast majority of our stores in the Netherlands are in prime retail locations inside city centers, along high streets and in major shopping districts. Most of our stores follow the smaller format and are in high catchment areas, while our larger stores tend to be located outside city centers, serving to limit entry of new competitors. The store portfolio is of the highest quality in the Netherlands, with most of our stores in prime locations on the main local shopping street, in part because landlords consider us to be favored tenants. It also serves to form a barrier to entry given the limited availability of quality high street locations in the Netherlands.

Directly Operated Stores

Substantially all of our directly operated stores have generated positive EBITDA and cash flow for the last several years. Sales density varies considerably per format, with our high traffic stores generating significantly higher sales densities as compared to our larger stores.

We are continuously looking for better ways to further increase sales and optimize display spaces within our existing stores. We typically refurbish directly operated stores on an as-needed basis and also use local marketing to support stores that may be falling behind in terms of their historical performance.

Franchise Stores

The majority of our franchise stores were opened during the early 1960s and they represent an important part of our strategy. Our franchise stores are owned and operated among a total of 105 franchisees, with the largest franchisee operating only ten stores. Our franchisees are well organized, which facilitates effective communication and coordination. The franchise stores are typically B and C stores and are located outside the large urban areas. Following the launch of our AA format, an additional number of franchise stores were opened in the new AA category. Historically, franchisees enabled us to quickly add significant scale at a low investment rate. Today, we no longer actively seek new franchisees, but allow our existing franchisees to expand within their catchment area to profit from their local market knowledge and network.

Franchise stores conform to the standardized store layout that we have established for each format category and offer a pre-determined range of SKUs tailored to that format and adjusted to reflect the location's specific attributes. There are generally no visible differences between our directly operated stores and franchise stores. Franchisees are permitted to offer non-HEMA merchandise and services constituting up to a maximum of 10% of the assortment, subject to our approval. Furthermore, franchise stores are fully integrated with our supply chain which allows for optimal efficiency and monitoring.

Under our franchise agreements, franchisees purchase from us the HEMA products and services that they offer in their stores. Franchisees purchase our products and services at a fixed percentage of the retail value of the assortment. Franchisees receive a rebate on products bought from us that is reset on an annual basis, based on the previous year's margin in order to reflect the prior year's cost of goods sold. We therefore receive the cost price plus a percentage of the standard sales price of those products. Products sold through our e-commerce channel and picked up by the customer in a franchisee store are accounted as sales performed in the store of such franchisee.

Our franchisees are organized in the HEMA Franchise Associations (*Vereniging Aangesloten Bedrijven, "VAB"*). The VAB represents the collective interests of almost all our franchisees. The board of the VAB consists of members appointed by the meeting of members. Although franchisees have over the years supported our initiatives by making contributions to support expansion and operations upgrade and have co-invested with us in various projects, such as sourcing projects, the development of our e-commerce platform and the modernization of our distribution center, VAB claims there is a deterioration in our relationship with them over the last few years as a result of ongoing discussions on certain aspects of our contractual relationship. In November 2013, the VAB sent a letter sent to our principal shareholder Lion Capital, in which the VAB states that certain issues, that have been part of various discussions over the past few years, remain unresolved and suggests that legal proceedings may be the next course of action. However, no judicial action has followed to date. Lion Capital responded to the letter and referred VAB to our Management Board, who remain in an active dialogue with VAB regarding the disputed issues and other matters. See *"Risk Factors—Risks Related to Our Business—Our franchise ownership structure exposes us to a number of additional risks."*

Store Network in Belgium and Luxembourg

We opened our first store in Belgium in 1984 in the city of Turnhout. In 1997, we acquired Sarma, a Belgium retail chain consisting of 27 stores. The addition and conversion of these stores to HEMA stores doubled our footprint in the market and enabled us to compete more effectively with the incumbent participants. Over time, we were able to further grow and today we enjoy strong brand awareness of approximately 97%.

Our network in Belgium currently comprises 97 directly operated stores, situated throughout the country. All our stores in Belgium are directly operated stores. The stores are typically situated in key locations in every major city of Belgium, such as on high streets and in shopping centers.

With respect to the product assortment, the Belgian HEMA stores carry primarily apparel and household goods & personal care products and a limited food offering. The assortment in Belgium is supported by a selection of products from those on offer in the Netherlands, which is tailored to the local market and tastes. As such, the assortment tends to contain fewer SKUs than in the Netherlands and also excludes products developed specifically to address Dutch consumer demand. As our presence in Belgium grows, we are better placed to assess the likely demand for certain products and therefore are able to increase space productivity simply by making a better pre-selection of products. The Belgian stores are supported out of one of the distribution centers in Utrecht (Lage Weide).

We opened our first store in Luxembourg in 2006 in the city of Schmeide. Over time, we have opened an additional three stores in Luxembourg, all directly operated and managed as part of our Belgian network.

International Store Network

Besides the Benelux, we are currently present in three other countries, Germany, France and Spain, the latter with its first store opened in April 2014, and we plan to expand into the United Kingdom in Fiscal Year 2014. We believe we are well positioned to expand internationally. The two fundamental reasons underpinning this potential are the distinctive design of our product range which reflects our brand identity, and the price at which we are able to offer our products. Design is one of our core competencies and has differentiated us from other general retail concepts. Our price positioning is strengthened by the scale of our business in the Benelux and our efficient and integrated supply chain, which enables us to source products at low cost. From an operating model standpoint, we will be able to implement our international growth strategy by utilizing different sales channels and store formats as well as by offering a customized product assortment that better caters to the local demographics and competitive situation.

We have developed a tailored international format to support international expansion. The HINT format carries substantially fewer SKUs and products are categorized and grouped together by reference to their category (i.e., bathroom, kitchen and living room) and displays are put in place to direct customers' attention to specific high volume and inspirational products. We determine which SKUs are most relevant to local preferences and determine which store format delivers the product in a manner that is well understood by the local customer and increases traffic and the purchasing decision.

Germany

We opened our first store in Germany in 2002 in the city of Essen. We originally entered the German market with a copy of our Dutch format, without any differentiation. The Dutch format proved to be less successful in Germany, partially due to an inappropriate sales density and cost base ratio. We subsequently introduced our tailored HINT format in some of our stores, which has already resulted in improved sales. We now have 10 stores of different sizes and in different locations and we plan to continue our expansion in Germany to further enhance our brand recognition in the area.

With respect to the product assortment, German HEMA stores carry primarily hardware products and prepackaged food. The German stores are supported out of the distribution center in Utrecht (Lage Weide).

France

We expanded into France in 2006 through an arrangement with Auchan to sell our products in their stores. We decided, however, to discontinue this arrangement and to proceed with the opening of stand-alone HEMA stores to capture the full profit potential. We opened our first store in France in 2009 in the Créteil Soleil shopping center in Ile-de-France.

As of February 2, 2014, our network in France comprised 28 directly operated stores, situated throughout France. All our stores in France are directly operated stores. With respect to the product assortment, French HEMA stores carry primarily household goods & personal care products, baby and children's apparel. The French stores are supported out of the distribution center in Utrecht (Lage Weide).

Having achieved an 86% NPS in France in 2012, we consider expansion in France remains a core part of our strategy, with 15 new stores planned in Fiscal Year 2014. French consumers continue to be attracted to HEMA's design and quality proposition, private label price points and convenient locations in high traffic city centers and shopping malls. All of our fully established French stores are profitable with sales and EBITDA densities ahead of even our best-performing Dutch store formats.

Spain

In April 2014 we opened our first store in Spain. This is a HEMA HINT format store in Madrid with 362 sqm and selected SKUs to work as a concept store and to better analyze the popularity of our key products in this new market, offering primarily hardgoods (except apparel) and no fresh food products. Although this store is operating with no promotional campaigns, it had 80,000 visitors in the first seven weeks of operation.

United Kingdom

We expect to open three new stores in the United Kingdom in the summer of 2014, with sizes varying from 200 to 400 sqm. As with the Spanish store, our new British stores will follow the HEMA HINT format and will offer selected key SKUs to work as a concept store.

E-Commerce Offering

We launched our e-commerce offering in 2001 with our website HEMA.nl to further diversify and expand our sales platform and have added HEMA shop.com for access to international websites. We had almost 67 million visitors in Fiscal Year 2013. Our e-commerce business started with an online photo service. Today, our e-commerce business is a fully transactional web shop with substantially all our portfolio or SKUs available, as well as certain additional services that are sold exclusively online, such as Insurances and notary services. We believe that, in particular, our online apparel and service sales will increase in the next few years.

We sell our assortment online in all countries in the European Union. We offer customers more convenience with home delivery or in markets where we have stores, the option to collect in stores. In France, we also sell our products through La Redoute and Amazon France.

In recent years, we have made significant information technology investments to optimize our e-commerce platform, remaining focused on further expanding this channel (such as through tablet and mobile applications) to adapt to changing consumer preferences. In 2013 we successfully launched the HEMA mobile and tablet application, which enables customers to shop with HEMA from anywhere at any time with additional convenience. Currently HEMA follows a full multi-channel approach where customers can place orders from any device at any given time and have it delivered to them or ready for collection in store at their convenience. In 2014 we were the first retailer to offer to consumers 3D printed articles on the Dutch market via our website.

Our e-commerce business is managed through a separate distribution center for our e-commerce business, which is also located in Utrecht (Lage Weide), as well as a separate business unit and dedicated management. We deliver our online apparel and hard goods sales through this distribution center. Our pastry sales are delivered directly from our industrial bakeries to our stores where they may be collected by our customers that ordered them online. Other online services, such as photo services, Insurances, phone cards, 3D printings and online learning, are outsourced and sold on commission basis. Approximately 69% of the products purchased in the Netherlands on our e-commerce platform were collected in store instead of delivered directly to the customer, allowing for further cross-selling, with the remainder delivered at home via a third-party logistics service provider. Any e-commerce sales picked up in our franchisees store are considered as sales performed by the relevant franchisee.

At present, sales from the website come from the Netherlands, Belgium, Luxembourg, France, Germany and other countries in the European Union. Our photo service and photo album offering, enabling customers to collect photos in store pastry and insurance together represent a large majority of our internet sales.

Other Products and Services

We are the market leaders in photo processing services in the Netherlands, a service we first introduced in 1997. These services allow customers to upload digital photos onto the website or via in-store kiosks, which can then be printed as individual photos or albums, paintings, decorations or onto other items, and collected in-store or sent home. The offering represents a key footfall generator for HEMA stores. Other services include insurance intermediary sales for the most part, but also 3D printing, notary services, tickets, phone cards and e-learning. We offer a broad range of HEMA-branded Insurances that are underwritten by various third parties to cover a wide variety of needs and from which we receive a commission that is included in our net sales. We believe the various services we provide complement the comprehensive range of products and services we offer our customers.

Customer Service

We complement our broad product offering with in-store customer service, comprehensive after-sales service, and on-going product support in relation to the products we sell. Our sales teams are well-informed about our products and the manufacturing process and are able to use effective but customer friendly techniques to expertly advise our customers and maximize the probability of converting

customer footfall into sales. We monitor the quality of staff performance and customer service through different methods of customer service monitoring such as regular inspections, surveys by quality assurance specialists and customer surveys as well as independent anonymous shoppers. This service proposition contributes to a high level of customer satisfaction, attracting more people to our stores and generating customer loyalty, repeat purchases and recommendations to friends and family.

Supply Chain and Other Operations

We have invested considerable resources in upgrading our supply chain and other operations in recent years. Our supply chain has undergone significant improvements, which greatly enhance the quality of support to our business. In a simplified form, our supply chain entails the following eight steps: design of the concept of new merchandise by our in-house design department; implementation of the product concept by an outsourced designer who will prepare a more detailed design for the new merchandise; choice of supplier; production of merchandise by supplier; transportation from supplier to our distribution centers in Utrecht (Lage Weide); transportation to our stores; stocking of products on shelves in our stores; and sale of merchandise to our customers. This process is performed and supervised by three fully integrated in-house departments: product concept design; purchasing and merchandising; and distribution and logistics. We seek to control all aspects of the supply chain, including styling, purchasing, merchandising, marketing and other functions to ensure both speed to market and quick reaction time. We have product category management teams, all of which are located at our head office in Amsterdam, for each of our product categories. Our supply chain is constantly being reviewed for its capabilities and efficiency standards.

Concept Design

The concept of our HEMA branded products is designed by our in-house team, responsible for the conceptual design of new product lines and the refreshment of the existing assortment. The in-house developed product concepts are provided to specialized outsourced designers that develop the product design itself. The products are then manufactured by outsourced selected suppliers. The outsourcing process is supervised by our in-house designers and quality assurance department. This allows us to concentrate on quality control and product innovation, consistent with our brand positioning and helps differentiate us from our competitors.

Purchasing and Merchandising

We source our products from Europe, the Middle East and Asia, either directly (including through our buying offices in Hong Kong, Shanghai and Bangladesh) or through agents with whom we have developed strong relationships over time, always very much focused on Safety, Health, Environmental and Quality (SHEQ) standards. On average, there more than two suppliers who are able to supply our product lines, except for certain specific products that are supplied by only one supplier. See *“Risk Factors—Risks Related to Our Business—Our dependence on a few manufacturers and providers for certain products and services makes us vulnerable to a disruption in the supply of our products.”*

Over the last few years, we have significantly upgraded our sourcing capability. We have focused on reducing purchase prices whilst maintaining the level of quality and service we receive from the various suppliers. This has been achieved through a rationalization of the supplier base as well as through the application of benchmarking, tendering, e-auctioning and other competitive techniques to award contracts. In addition, we believe our strong position in certain apparel items (such as socks and underwear), cosmetics and pastries has enabled us to obtain particularly competitive terms with our suppliers for these products. As a result, our buying practices have improved and we have achieved a higher intake margin.

In February 2014, we announced an organizational restructuring aiming to increase efficiency and support commercial activities. The new organizational structure is designed to integrate format and marketing as well as introduce a dedicated “buying desk” to the supply chain and support sales initiatives. Through the establishment of a buying desk buying and merchandizing roles were separated, having previously been shared responsibilities, thus creating a specialized sourcing department with the sole aim of maximizing buying savings through consolidating suppliers and improving the tendering process.

All our suppliers are required to satisfy minimum requirements under our code of conduct. We work with them over a three-year period to achieve full compliance with our code of conduct after which, if they are unable to fully comply, we discontinue the relationship. Our suppliers also contribute to our market

strategy fund, which was established for the purpose of promoting our products through our various marketing initiatives.

Distribution and Logistics

With the exception of fresh food products, which are delivered directly from their suppliers, we deliver the majority of our merchandise to our stores in the Netherlands and internationally through our main distribution center in Utrecht (Lage Weide), as well as a second distribution center specialized in e-commerce distribution, in close proximity to our main distribution center.

Our main distribution center serves as a collection and re-distribution point for the entire store network, both in the Netherlands and internationally. It is highly automated and its processes and equipment are modern and sophisticated, and deliver a high standard of operation. Store deliveries are picked and prepared in our main distribution center using a “pick-to-light” system, which achieves nearly 100% accuracy in the relevant store deliveries. As a result, stores no longer need to check the accuracy of deliveries, which improves in-store productivity. In addition, in recent years we have performed significant investments in our distribution facilities which we believe will support the expansion of our business with minimal capital expenditure requirements over the medium-term.

We previously fulfilled our online orders as part of our store order fulfillment process at the main distribution center in Utrecht (Lage Weide). Due to space restrictions at the main distribution center and in order to support our business plan for growth in e-commerce, in 2011, we opened a separate distribution center dedicated to the fulfillment of online orders for customers. The e-commerce distribution center is able to process a higher number of smaller orders and achieves greater fulfillment speed. This dedicated distribution center is approximately 500 meters away from our main distribution center.

We operate a fully integrated distribution and logistics network divided into three segments: facilities, bakeries and food distribution.

- **Facilities:** we operate our distribution centers located in Utrecht (Lage Weide), which serve as a collection and re-distribution starting point for the entire store network and the e-commerce operations. We have a fleet of leased trucks to transport products from our distribution centers to our stores. Home deliveries are transported using a third party service provider. Deliveries are made one to six times per week, depending on available stock room space and stock rotation at the relevant stores.
- **Bakeries:** we operate one central industrial bakery in Almere and several regional industrial bakeries across the Netherlands, which make fresh pastries and other bakery items for our stores. Our items are delivered to stores on a daily basis, using a fleet of leased trucks as part of our own bakery distribution network, which is entirely separate from our distribution centers in Utrecht (Lage Weide). Our bakery network operates almost exclusively for the supply of items to our stores, with limited sales to certain external customers.
- **Food Distribution:** all food products other than bakery products are distributed by a third-party food distribution specialist.

Supply Chain Management Systems

We operate a modern forecast and supply chain management system. Through this system, we are able to track and forecast daily demand for each SKU in each store for the next twelve months, based on trading data from the past four years. As a result of these forecasts, we can improve availability in our stores, calculate lost sales in case of stock-outs and better avoid similar lost sales in the future. The system is integrated throughout our supply chain. Each demand forecast also flows backwards through the supply chain and ultimately supports the design and purchasing decisions. “Deliver-to-Demand” is currently used for all our items in the apparel division and household goods & personal care division, and we expect to extend it to groceries and fresh food.

Furthermore, franchise stores are fully integrated within our supply chain, which allows for optimal efficiency and monitoring.

We have also implemented direct links to suppliers and logistics forwarders. We have established online portals for many of our suppliers and logistics forwarders through which all shipping data is exchanged. Due to the granularity and accuracy of stock data provided through “Deliver-to-Demand,” we are able to

track accurately and in real-time the stock replenishment process through the supply chain, improving our productivity.

In-Store Operations

Over the past few years, we have introduced workforce management systems that manage staffing levels on the basis of the in-store activities to be performed at any particular time, rather than plan the activities to be performed on the basis of staff available at such time. The aim of these new workforce management systems is to ensure that, at any particular time, the store is appropriately staffed, taking into account store traffic, re-stocking requirements and delivery times.

An important advantage of the new workforce management systems is that it is more automated and integrated with other systems in the operations, such as the “Deliver-to-Demand” system and various in-store administrative processes.

Information Technology

Our information technology department is well positioned and equipped to support our current and future operations due to its state-of-the-art software (SAP, Microsoft, Teradata, JDA, SAS and Witron) and integrated information technology platform between suppliers, distribution centers and stores. We have developed and implemented a new workforce and space management system that allows us to fine-tune our work-hour needs and assortment of products at the individual store level based on trends in sales.

We use SAP as the core system for the management of distribution of goods, supply chain flow, finance and human resources. The Teradata strategic platform is used for supply chain planning, forecasting, replenishment and allocation of non-food products. Our information technology strategy is aimed at standardization through SAP, operational supply chain excellence and cost reduction through smart interfaces.

All our directly operated and franchise stores are connected through one interface using identical software and hardware. This standardized approach ensures an information technology platform that is scalable in line with our growth. Using identical systems also creates a stable and easily adaptable environment which minimizes any impediments to our operations. Furthermore, all new stores can immediately be implemented into our infrastructure. Our e-commerce platform is developed by external developers under our supervision. With the exception of the datacenter at our distribution center, all datacenter activities are outsourced to Capgemini.

Leases

Stores

We lease substantially all of our directly operated stores in the Benelux, Germany, France and Spain under long-term lease agreements. The average expiration of our leases is in 6.7 years as of February 2, 2014. Franchisees own or rent the real estate for their respective stores themselves, without HEMA's involvement.

Payments are made on a monthly basis and rent under most of our leases is subject to annual indexation in accordance with the applicable consumer price index. Our policy has been to cap these price indexing provisions, if possible. Our total annual rental expense (net of sub-lease income) for the 52-week period ended February 2, 2014 was €83 million.

We target locations for new store openings, liaising with real estate agents, brokers and our in-house property department in order to determine which locations will be most appropriate for new stores. Once a site is identified and the feasibility of the new store assessed, we submit a store opening proposal to our Management Board for approval. We generally seek to ensure that leases, and other development agreements, comply with industry standards.

The table below sets out the lease expirations for our stores for the next ten calendar years, not taking into account any options to extend the leases.

<u>Lease expirations by year</u>	<u>Number of Leases</u>	<u>% of Total Leases</u>
2014.....	9	2%
2015.....	45	9%
2016.....	38	8%
2017.....	51	10%
2018.....	48	10%
2019.....	51	10%
2020.....	37	8%
After 2020	208	43%

Headquarter, Distribution Centers and Central Industrial Bakery

Our new corporate headquarters is located in Amsterdam. The premises are located at “Amsterdam Waterfront,” a large development site and the property of the former NDSM-shipyard. Our main distribution center and our new e-commerce distribution center are located in Utrecht (Lage Weide). We also have a central industrial bakery located in Almere. We lease our material properties pursuant to long-term leases that generally provide for multiple extension periods of five to ten years each. With respect to our headquarter lease, the landlord does not have the right to terminate the lease prior to May 31, 2025. The table below sets out the size, date of initial lease and lease expiry date for these material properties, not taking into account any options to extend the leases.

<u>Property</u>	<u>Size (sqm)</u>	<u>Date of Initial Lease</u>	<u>Lease Expiry Date</u>
Headquarters	17,675	June 1, 2010	May 31, 2025
Main distribution center	100,310	January 1, 2007	December 31, 2021
E-commerce distribution center	89,305	July 1, 2010	March 3, 2016
Central industrial bakery	9,875	July 14, 2000	August 1, 2022

Intellectual Property

We rely on intellectual property laws, confidentiality procedures and contractual provisions to protect our intellectual property rights, such as patents, trademarks, trade names, copyrights, design rights and domain names. We regard our trademarks and other intellectual property rights as valuable assets in the marketing of our products and take appropriate action when necessary to protect them.

We own several national and international trademark registrations, including the trademark HEMA, and we license or registered trademarks to our franchise partners as appropriate for their franchise business. We use the HEMA name as a trade name, as a trademark in connection with our merchandise, and as a service mark. In general, we own the copyrights and the designs created or commissioned by us, and some of these designs are registered. In addition, we have entered into copyright transfer agreements to obtain the copyrights of some of the winning designs from our annual design contest. We have also entered into a long-term copyright license with the copyrights owner of the black and white images of the renowned “Jip and Janneke” characters, which have been famous characters in the Netherlands for decades and which we have printed on our merchandise since the early 1990s. We have registered HEMA.nl, HEMA.be, HEMA.fr and HEMAshop.com, and other domain names with the appropriate authorities in the Netherlands and abroad. We also own certain intellectual property rights with respect to our customer database. We have several material patents registered in the Netherlands and Belgium related to products developed by our in-house team or by third parties engaged to develop these patents on our behalf.

Employees

Our Workforce

As of February 2, 2014, our workforce consisted of approximately 19% men and 81% women, and approximately 45% full-time employees (of which approximately 84% are employed in the Netherlands) with the remainder working a variety of part-time schedules. We employed 5,140 full-time equivalent employees (“FTEs”), with 553 FTEs working from our head office in Amsterdam, 441 FTEs at our

distribution centers, 3,036 FTEs in our store locations and 256 FTEs in our bakeries. The table below shows our number of FTEs by activity as well as per country as of the end of the periods indicated:

Workforce

	Fiscal Year		
	2011 (52 weeks ended January 29, 2012)	2012 (53 weeks ended February 3, 2013)	2013 (52 weeks ended February 2, 2014)
The Netherlands	4,448	4,408	4,272
Head office ⁽¹⁾	527	553	540
Distribution centers	439	448	441
Store locations	3,180	3,124	3,036
Bakeries ⁽¹⁾	302	282	256
Belgium	600	578	574
Luxembourg	19	17	18
France	80	115	218
Germany	69	55	58
Total FTEs	5,216	5,173	5,140

(1) The number of FTEs at our head office and bakeries will be reduced by approximately 90 FTEs as a result of recent restructurings taken place in Fiscal Year 2014.

Attrition of in-store staff is relatively low and the average age of employees working in-store is comparatively high for a retailer at approximately 32.3 years old. We participate in annual employee surveys carried out by an independent third party. Employee responses indicate that employees are generally satisfied with their jobs.

We have a number of career development schemes in place for the development of our employees at various levels. We also hold management team meetings to encourage cross-divisional networking and learning. Approximately 60% of our current senior managers were promoted from within the organization.

Labor Relations

Our employees are covered by individual labor agreements, and most of them are also cover by one-year collective labor agreements. We are party to a collective labor agreement for our general group of employees and a separate one for our higher personnel. We believe our relations with our employees are good. We cannot assure you, however, that we will be able to reach satisfactory agreements, or that these agreements will be concluded without work stoppages or strikes. See “Risk Factors—Risks Related to Our Business—Our operations and profitability could suffer if we experience labor relations problems.”

Salary, Benefits and Pension Scheme

We pay competitive wages within our sector and evaluate employees for increases in salary on the basis of the individual’s performance, with pay rises being awarded on the basis of increased responsibility either through an expansion of their current role or through promotion. In addition, certain permanent staff members at a higher pay level are eligible for a bonus or incentives each year that are based on a combination of our overall profits and specific sector or departmental factors.

In the Netherlands, all employees participate in the industry-wide pension fund for the retail trade industry (*Stichting Bedrijfstakpensioenfonds voor de Detailhandel*), which is based on average wage (*middeloonstelsel*). The scheme is effectively a defined contribution plan under IAS 19. Employees who earn a wage for social insurance purposes above the income assessable for social insurance participate in an additional defined contribution pension scheme of the industry-wide pension fund for the retail trade industry. At early retirement, participants are guaranteed the difference between the early retirement benefit and 75% of the average salary over the prior five years. The guarantee arrangement is effectively a defined benefit scheme. In Belgium, we have two defined contribution pension schemes, one for management and certain key employees and another for all other employees. In addition, an industry-wide early retirement scheme is in place for certain employees, which is effectively a defined benefit scheme.

Insurance

We maintain insurance to cover risks associated with the ordinary operation of our business, including general liability, property and business interruption, and product liability insurance. We insure our headquarters, distribution centers, delivery fleet and stores against such hazards as fire, explosion, theft, flood, mischief and accidents. All of our policies are underwritten with reputable insurance providers, and we conduct periodic reviews of our insurance coverage, both in terms of coverage limits and deductibles. We believe that our insurance coverage is sufficient for the risks associated with our operations.

Environmental Matters

We are subject to numerous supra-national, national and local environmental laws and regulations, including in connection with the operation of our industrial bakeries and distribution centers. We could incur significant costs, including fines, penalties and other sanctions, third-party claims and environmental cleanup costs, as a result of violations of or liabilities under environmental laws and regulations or operational permits required thereunder. We believe that our operations are currently in substantial compliance with all applicable environmental, health and safety laws and regulations. These environmental, health and safety laws and regulations are constantly changing, however, as are the priorities of those who enforce them, and we could incur additional costs complying with future laws and regulations. We follow a proactive approach with regard to the management of any asbestos at our stores or other facilities, including in order to minimize and control any exposure and to coordinate the efficient and safe removal and/or management of the asbestos, and with a view of ensuring the health and safety of our employees and customers. We have carried out asbestos inventories at many of our stores (all of which are leased), and our investigation has revealed the presence of some asbestos applications, all non-friable (asbestos fibers bound or locked into the product matrix). Cost sharing arrangements have been made with the owners of our stores with respect to the management or removal of such materials, and we will continue to conduct inventories and, where appropriate, remediation at our stores. Although asbestos remediation and other environmental matters have not had a material impact on our business to date, we cannot assure you that environmental conditions identified and/or environmental obligations imposed on us in the future relating to any of our prior, existing or future properties will not have a material adverse effect on our business, financial condition, results of operations or cash flows. See “*Risk Factors—Risks Related to Our Business—We are subject to numerous statutes and regulations and complaints from customers and other third parties.*”

Regulatory Matters

We are subject to governmental regulation from national, European Union and other international regulatory authorities concerning, among other things, export and import quotas and other customs regulations; consumer and data protection; the advertisement, promotion and sale of merchandise; product safety; the health, safety and working conditions of our employees; the safety of our stores and their accessibility for the disabled; and our competitive and marketplace conduct. We believe that we are in compliance in all material respects with these regulations. We cannot assure you, however, that any future changes in the requirements or mode of enforcement of these laws and regulations will not have a material adverse effect on our business, financial condition, results of operations or cash flows. See “*Risk Factors—Risks Related to Our Business—We are subject to numerous statutes and regulations and complaints from customers and other third parties.*”

Regulated Services

Our Insurances are carried out by our subsidiary HFS. HFS has the form of a limited liability company (*besloten vennootschap*) and operates as a financial service provider (*financiële dienstverlener*) in the Netherlands, as defined in the DFSA. As such, pursuant to the DFSA, HFS requires a license from the AFM. The license obtained by HFS allows HFS to act as intermediary and advisor on various types of Insurances in the Netherlands.

HFS is required to comply with the ongoing requirements in the Netherlands under the DFSA that are applicable to a financial service provider (*financiële dienstverlener*) which provides intermediary services (*bemiddelen*) and advisory services (*adviseren*) with respect to insurances (*verzekeringen*). Such ongoing requirements refer to, amongst others, its policies, its employees, its internal organization and its relationship with its customers. The DFSA and other applicable laws and regulations and their interpretation may change from time to time. Compliance with, and monitoring of, applicable laws and

regulations, may be complex, time consuming and costly. Moreover, failure to comply with the applicable laws and regulations could result in fines or other sanctions, including the revocation of the license. Such sanctions will usually also be published by the AFM, which may damage our reputation. Delay on engaging on carrying out activities for which the AFM has granted a license may result in withdrawal of such license in whole or in part.

For each type of Insurance with respect to which HFS provides intermediary services in the Netherlands, HFS provides these services with respect to the Insurances of just one insurer (*verzekeraar*). HFS is thus dependent on these insurers in order to be able to provide its intermediary services. The same applies to the Insurances provided to our customers in Belgium. If our relationship with one of these insurers is adversely affected, for example if such insurer loses the license it needs pursuant to the DFSA, we may not be able to quickly or effectively replace such insurer and our Insurances business may be disrupted and this may materially affect our results. See *“Risk Factors—Risks Related to Our Business—If we lose the AFM license necessary for part of our business we may not be able to carry on such business or parts of our current or planned businesses”* and *“Risk Factors—Risks Related to Our Business—Our dependence on a few manufacturers and providers for certain products and services makes us vulnerable to a disruption in the supply of our products.”*

Pursuant to EU Directive 2002/92/EC of the European Parliament and of the Council of December 9, 2002 on insurance mediation, as has been implemented into the DFSA, a party which holds a license in one EU member state, allowing it to provide intermediary services with respect to certain types of insurances, is allowed to “passport” such license with respect to the insurance intermediary services and the types of insurances specified therein into other EU member states. HFS has passported its intermediary services with respect to certain types of insurances into Belgium, as registered with the Belgian Financial Services and Markets Authority (*Autoriteit Financiële Diensten en Markten*). When providing intermediary services in Belgium, HFS also has to comply with the Belgian legal rules adopted in the interests of the general goods (*algemeen belang*).

Legal Proceedings

We become involved from time to time in various claims and lawsuits arising in the ordinary course of our business, such as employee and customer claims, disputes with our franchisees, suppliers and intellectual property disputes. Some matters involve claims for large amounts of damages as well as other relief. We are currently not involved in any legal proceedings which, either individually or in the aggregate, are expected to have a material adverse effect on our business, financial condition, results of operations or cash flows. We note, however, that the outcome of legal proceedings can be extremely difficult to predict with certainty, and we offer no assurances in this regard.

MANAGEMENT

The Company

The Company is managed by a Supervisory Board, a Board of Managing Directors and a Management Board. In addition, we have an Audit Committee as a sub-committee of the Supervisory Board.

Supervisory Board

The Company's Supervisory Board is responsible for supervising and advising the Board of Managing Directors in performing its management tasks, as well as discussing HEMA's strategy with its Management Board, including our objectives, associated risks and mechanisms for controlling financial risks. Furthermore, the Supervisory Board reviews and approves quarterly and annual financial statements and annual budgets. Other topics of discussion include the performance and the remuneration of the Management Board, risk management, international expansion, supply chain and the financing of HEMA, as well as HEMA's financial and operational performance, price development and the general course of business. The Supervisory Board is supported in its work by the Audit Committee on matters including financial reporting, risk management, internal controls and advising the Supervisory Board on the appointment of the external auditors of HEMA. The Supervisory Board is responsible for monitoring and assessing its own performance.

The Supervisory Board of the Company consists of four members and, as of February 2, 2014, was composed of the following members:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Robert Darwent	41	Supervisory Board member
Mary Minnick	54	Supervisory Board member
Dolf Collee	61	Supervisory Board member
Anders Moberg	64	Supervisory Board member

Summarized below is a brief description of the experience of the individuals who serve as members of the Supervisory Board of the Company.

Robert Darwent was first appointed as member and chairman of the Supervisory Board on July 6, 2007, and has remained in this position since then, as chairman. Mr. Darwent is a founding partner of Lion Capital. In the past Mr. Darwent was employed by the private equity firm Hicks, Muse, Tate & Furst and by the private equity group of Morgan Stanley. Mr. Darwent currently serves as Board member for Weetabix, AS Adventure and All Saints, being other investments held by Lion Capital. Mr. Darwent is a British citizen residing in the United Kingdom, with business address at 21 Grosvenor Place, London SW1X 7HF, United Kingdom.

Mary Minnick was first appointed as member and vice-chairman of the Supervisory Board on July 6, 2007, and has remained in this position since then, as vice-chairman. Ms. Minnick is a partner of Lion Capital. In the past Ms. Minnick held various management and marketing positions with the Coca-Cola Company. Ms. Minnick currently serves as Board member for Target Corporation, Heineken, WhiteWave Foods and Ad van Geloven, the latter being another investment held by Lion Capital. Ms. Minnick is a US citizen residing in the United Kingdom, with business address at 21 Grosvenor Place, London SW1X 7HF, United Kingdom.

Dolf Collee was first appointed as member of the Supervisory Board on April 1, 2008, and has remained in this position since then. Mr. Collee is Chairman of our Audit Committee and is currently a consultant. In the past Mr. Collee was, amongst others, a member of the Managing Board of ABN AMRO Bank N.V. and a member of the Board of VNO-NCW. Mr. Collee currently serves as a Supervisory Board member for Ewals Cargo B.V., Ajax N.V., Arena N.V., Central Industrial Group N.V., Abis Shipping B.V., Conhold B.V. and Wealth Management Partners N.V. Furthermore Mr. Collee is member of the Investment Committee of Project Holland Fonds and adviser of ITDS B.V. Mr. Collee is a Dutch citizen residing in the Netherlands, with business address at Burgemeester den Texlaan 45, 2111CC Aerdenhout, The Netherlands.

Anders Moberg was first appointed as member of the Supervisory Board on April 8, 2009, and has remained in this position since then. Mr. Moberg is currently a consultant. In the past Mr. Moberg was, amongst others, CEO of Majid Al Futtaim (MAF) Group LLC, CEO of Royal Ahold N.V., President International of Home Depot and CEO of IKEA. Mr. Moberg currently serves as a board member for Ahlstrom

Corporation, ZetaDisplay AB, ITAB AB, Amor GmbH, Clas Ohlson AB, OBH Nordica AB, Rezidor AB, Bygghmax AB and Bergendahl & Son AB. Mr. Moberg is a Swedish citizen residing in Dubai, United Arab Emirates with his business address at Palm Jumeriah, Frond F, Villa 16, Dubai, United Arab Emirates.

Board of Managing Directors and Management Board

The Company's formal board is the Board of Managing Directors, consisting of our Chief Executive Officer and our Chief Financial Officer. Operationally, the Company is managed by a Management Board. In addition to our Chief Executive Officer and our Chief Financial Officer, the Management Board consisted of four other members on February 2, 2014: the Director of Buying & Merchandising, the Director of Operations, the Director of Supply Chain, and the Director of Formula, a position which is currently vacant.

The Board of Managing Directors on February 2, 2014 was composed of the following members:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Ronald van Zetten	51	Chief Executive Officer
Ad Walter	57	Chief Financial Officer

The Management Board of the Company consists of five members and, as of February 2, 2014, was composed of the following members:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Ronald van Zetten	51	Chief Executive Officer
Ad Walter	57	Chief Financial Officer
Rob Heesen	43	Director of Buying & Merchandising
Machiel Lagerweij	38	Director of Operations
Alex Jonker	41	Director of Supply Chain

Summarized below is a brief description of the experience of the individuals who serve as members of the Board of Managing Directors and Management Board of the Company.

Ronald van Zetten was first appointed as our Chief Executive Officer on September 2, 2003, and has remained in this position since then. Mr. van Zetten was the Executive Vice President of Operations of Albert Heijn B.V. from 2000 to 2003, Executive Vice President of Buying & Marketing of Praxis from 1998 to 2000, Chief Executive Officer and responsible for other management functions at HEMA Belgium from 1995 to 1998, Director of Buying & Marketing of DA drugstores from 1991 to 1995 and responsible for various management functions in food retailing companies from 1978 to 1991. Mr. van Zetten is a Dutch citizen residing in the Netherlands, with business address at NDSM-straat 10, 1033SB Amsterdam, The Netherlands.

Ad Walter was first appointed as our Chief Financial Officer on November 1, 2009, and has remained in this position since then. Mr. Walter worked for the Praxis Group from 1990 to 2008 as Chief Executive Officer for the last ten years, after being Chief Financial Officer for four years and Controller for four years. Mr. Walter was also Internal Auditor and Controller of Hoogovens Group from 1980 to 1990. Mr. Walter is a Dutch citizen residing in the Netherlands, with business address at NDSM-straat 10, 1033SB Amsterdam, The Netherlands.

Rob Heesen was first appointed as our Director of Buying & Merchandising on November 1, 2009, and has remained in this position since then. Mr. Heesen joined HEMA in 2006 as a Food & Horeca Manager, after working for Ahold and Laurus in various commercial management functions and for Pepsico as a trainee in the operations and marketing department. Mr. Heesen is a Dutch citizen residing in the Netherlands, with business address at NDSM-straat 10, 1033SB Amsterdam, The Netherlands.

Machiel Lagerweij was first appointed as our Director of Operations on February 1, 2010, and has remained in this position since then. Mr. Lagerweij joined HEMA in 2000 and in 2008 was appointed as our Director of Supply Chain, where he remained until his appointment as Director of Operations. Mr. Lagerweij is a Dutch citizen residing in the Netherlands, with business address at NDSM-straat 10, 1033SB Amsterdam, The Netherlands.

Alex Jonker was first appointed as our Director of Supply Chain on February 1, 2010, and has remained in this position since then. One year later, our e-commerce business was added to his responsibility. Mr. Jonker joined HEMA in 1995 and occupied different positions until his appointment as Director of

Supply Chain, such as Information Manager and E-commerce Manager. Mr. Jonker is a Dutch citizen residing in the Netherlands, with business address at NDSM-straat 10, 1033SB Amsterdam, The Netherlands.

Audit Committee

In 2011, the Supervisory Board of the Company has founded an Audit Committee as a sub-committee of the Supervisory Board. The Audit Committee was still installed on February 2, 2014. The Audit Committee overviews the independent external auditors and assists the Supervisory Board in its responsibilities to oversee the financing, financial statements, financial reporting process, system of internal controls and risk management of HEMA. The Chief Financial Officer is invited to the Audit Committee meetings, as well as other members of senior management and the independent external auditor when the Audit Committee deems it necessary or appropriate.

On February 2, 2014, the Audit Committee of the Company was composed of Mr. Dolf Collee, as chairman and sole member. For the short biography of the members of the Audit Committee, see “—*Supervisory Board*” above.

Conflicts of Interest

We believe that there are currently no conflicts of interest between the private interests of the executive management and the duties owed by them to the Company. Certain of the members of the Company’s Supervisory Board are representatives of Lion Capital, which is our indirect majority shareholder. In certain situations, the interests of Lion Capital, as indirect majority shareholder, may differ from the interests of our other shareholders. See “*Risk Factors—Risks Related to Our Structure—The interests of our controlling shareholders may differ from the interests of the holders of the Notes.*”

Compensation

In Fiscal Year 2013, a total remuneration of €2.8 million was accounted for with respect to the members of our Board of Managing Directors and Management Board (Fiscal Year 2012: €2.0 million). These amounts are including a temporary tax imposed on salaries above €150,000 (*crisisheffing*). The total remuneration paid to the members of our Supervisory Board in Fiscal Year 2013 was €80,000 (Fiscal Year 2012: €80,000).

Management Participations

Certain members of the Company’s Supervisory Board have a beneficial ownership interest in Lion Capital entities, our indirect majority shareholder. In addition, following the acquisition of HEMA by Lion Capital on July 6, 2007, approximately 70 senior managers of HEMA were offered the possibility to invest in our indirect majority shareholder, Dutch Lion Coöperatief U.A. Under the plan introduced in February 2008, eligible management was offered, subject to certain terms and conditions, an investment in financial instruments of Dutch Lion Coöperatief U.A. at the same conditions as Lion Capital. In December 2008 the plan was amended to reflect the new fiscal legislation related to this investment. The outstanding rights before and after the amendments were equal to each other. At the same time, but not related, a relatively small amount of additional investment was offered to the senior managers that participated in the plan at the same conditions as the earlier investment. All financial instruments (consisting of depository receipts related to membership rights in Dutch Lion Coöperatief U.A, depository receipts of shares in Dutch Lion Management B.V. (that is also a member in Dutch Lion Coöperatief U.A.) and participations in the shareholders loan) are issued through foundations (*administratiekantoren*) that hold the voting rights of the underlying instruments. The members of the Board of Managing Directors were part of the senior managers who were offered the possibility to invest.

The Issuers

Each of the Issuers is managed by a Management Board comprised of two members. As of the date of incorporation of the Issuers (May 23, 2014), each of the Issuers’ Management Board was composed of the following members:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Ronald van Zetten	51	Managing Director
Jan Schuster	35	Managing Director

Summarized below is a brief description of the experience of the individuals who serve as members of the Management Board of the Issuers and that is not described elsewhere in this offering memorandum:

Jan Schuster is a principal at Lion Capital. Mr. Schuster joined Lion Capital in 2008 where he has been responsible for Lion Capital's investments in HEMA, AS Adventure, Wagamama, Nidan Soki and ghd. Prior to that he worked at Bain & Company's Munich office from 2004 until 2008 focusing on the financial services industry. Mr. Schuster received his MBA from IESE Business School in 2008 and a Master in Industrial Engineering and Management from the Technische Universität Berlin in 2004. Mr. Schuster is a German citizen residing in the United Kingdom, with business address at 21 Grosvenor Place, London, SW1X 7HF, United Kingdom.

PRINCIPAL SHAREHOLDER

The Senior Secured Notes Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands, registered with the Dutch Commercial Register under number 60748656 and with its principal executive offices at NDSM-straat 10, 1033 SB, Amsterdam, the Netherlands.

The Senior Notes Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands, registered with the Dutch Commercial Register under number 60749512 and with its principal executive offices at NDSM-straat 10, 1033 SB, Amsterdam, the Netherlands.

The Company is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands, registered with the Dutch Commercial Register under number 34215639 and with its principal executive offices at NDSM-straat 10, 1033 SB, Amsterdam, the Netherlands.

The Company and the Issuers are wholly owned subsidiaries of Dutch Lion B.V., an entity organized and established under the laws of the Netherlands, registered with the Dutch Commercial Register under number 34276765 and with its principal executive offices at Prins Bernhardplein 200 1097 JB Amsterdam, the Netherlands. Dutch Lion B.V. is a wholly owned subsidiary of Dutch Lion Coöperatief U.A., an entity organized and established under the laws of the Netherlands, registered with the Dutch Commercial Register under number 34276760 and with its principal executive offices at Prins Bernhardplein 200 1097JB Amsterdam, the Netherlands.

The following table presents information about the participation of Dutch Lion Coöperatief U.A. as of the Issue Date:

<u>Name</u>	<u>Shares</u>
Lion Capital	99.48%
Management	0.52%
Total	<u>100.00%</u>

These percentages relate to the capital contribution to Dutch Lion Coöperatief U.A. and the voting rights at the general meeting of members. This does not concern the economic rights attached, because those rights depend on the specific circumstances.

Membership Agreement

On December 22, 2008, funds managed by Lion Capital and trusts acting on behalf of HEMA management and employees (collectively, the “Parties”) entered into an amended and restated membership agreement with Dutch Lion Coöperatief U.A., our indirect controlling shareholders (the “Membership Agreement”). Pursuant to the Membership Agreement the Parties agreed to matters relating to the corporate governance of Dutch Lion Coöperatief U.A. and certain exit rights of the Parties, including tag-along and drag-along rights. The Membership Agreement also provides for other customary obligations, warranties and undertakings of Dutch Lion Coöperatief U.A. and the Parties, subject to certain conditions.

Information About Lion Capital

Lion Capital is a consumer-focused investor passionate about driving growth through strong brands. The firm seeks to make control investments in mid- and large-sized, consumer-retail businesses in Europe and North America. Lion Capital’s senior leadership brings over 200 years of collective experience to the firm’s activities and has been responsible for the investment of approximately €4.5 billion of equity capital in 29 companies. Past and present investments in consumer and retail companies include:

- Picard, the number one frozen food retailer in France, with a network of over 950 retailing outlets, acquired in 2010;
- All Saints, a leading international fashion brand created in London in 1994 with over 100 stand-alone stores across the United Kingdom, the United States and Europe, acquired in 2011;
- ghd, the leading premium hair styling appliance brand in the salon channel in the United Kingdom, Australia, Spain and Italy, acquired in 2013;

- Alain Afflelou, a prominent French retail chain specializing in optical services and sales of branded eyewear, acquired in 2012;
- Bumble Bee Foods, one of North America's best-known consumer packaged goods companies, with leadership positions in virtually every segment of the shelf-stable seafood category in North America, acquired in 2010;
- Findus, the second largest frozen food group in Europe and one of Europe's leading overall food manufacturers, with operations;
- Jimmy Choo, one of the leading ladies luxury brands in the world, specializing in premium shoes and handbags, acquired in 2004 and sold in 2007; and
- Orangina Schweppes, a leading pan-European player in the soft drinks market, with a strong local presence in more than 80 countries worldwide and a portfolio of 20 brand names, acquired in 2006 and sold in 2009.

Lion Capital acquired HEMA and its subsidiaries in July 2007.

DESCRIPTION OF CERTAIN RELATED PARTY TRANSACTIONS

We enter into transactions with our shareholders and other entities owned by, or affiliated with, our direct and indirect shareholders in the ordinary course of business. These transactions include, among others, professional advisory, consulting and other corporate services. The following discussion is a brief summary of certain material arrangements, agreements and transactions we have with related parties.

Acquisition of HEMA

HEMA was acquired by Lion Capital in 2007. See “*Principal Shareholder.*” Robert Darwent and Mary Minnick are members of the Supervisory Board of the Company, and Robert Darwent is also a managing director of the Parent. Jan Schuster is a managing director of each of the Issuers. They are all members of Lion Capital and have been appointed to the positions mentioned above to represent Lion Capital’s interests in our business. See “*Management—The Company—Supervisory Board.*”

Shareholder Loan and Other Instruments

In July 2007, the Company received a shareholder loan from the Parent with original principal amount of €269.6 million that carries a fixed interest rate of 13.5% per annum which is added to the principal. The shareholder loan has a maturity of 49 years and is due June 30, 2056. Fees and other costs directly related to the issuance of the shareholder loan are deferred and are amortized over nine years. The shareholder loan is, with respect to payment rights, redemption and rights of liquidation, winding up and dissolution, subordinated to all other present and future obligations of the Company. In 2009 and 2011, the Parent made contributions of €80.0 million and €219.3 million, respectively, to the Company by way of conversion of the shareholder loan into share premium. On February 2, 2014, the outstanding amount of our shareholder loan was €193.9 million.

Entities managed by and/or related to Lion Capital, our indirect majority shareholder, own, or have an economic interest in (or derivatives related to) financial instruments of HEMA, HEMA’s direct parent Dutch Lion B.V. and/or HEMA’s indirect parent Dutch Lion Coöperatief U.A.

Existing Facilities

Affiliates of Lion Capital, our indirect majority shareholder, are lenders under the Existing Mezzanine Facility and the Existing PIK Facility, and, as such, will receive proceeds from the issuance of the Notes and the Senior PIK Notes. Such affiliates also may acquire certain of the Senior PIK Notes.

Intercompany Loans

The Company has intercompany loans with its parent companies. On February 2, 2014, the balance of intercompany loans owed by the Company was €12.9 million.

Monitoring and Oversight Agreement

Following the acquisition of our business by Lion Capital in 2007, the Company entered into a monitoring and oversight agreement with Lion Capital, pursuant to which Lion Capital provides financial oversight, monitoring services and other advice to us for an annual fee that is reset on an annual basis and is equivalent to 1.25% of our budgeted EBITDA for the following year. The oversight fee under this agreement was €2.8 million, €2.0 million and €1.8 million in Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, respectively.

Management Equity

Certain members of our management participate in a share incentive scheme pursuant to which they may acquire shares in our indirect majority shareholder, Dutch Lion Coöperatief U.A. See “*Management—The Company—Management Participations.*”

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the material provisions of the Revolving Credit Facility Agreement, the Intercreditor Agreement and certain other instruments or facilities. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to the underlying documents. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Revolving Credit Facility Agreement or Intercreditor Agreement, as applicable.

Revolving Credit Facility

Overview and Structure

In connection with the Refinancing, the Company and certain subsidiaries of the Company will enter into a new €80 million super senior revolving credit facility agreement dated on the Issue Date (the “*Revolving Credit Facility Agreement*”) with, among others, The Royal Bank of Scotland plc as agent and The Royal Bank of Scotland plc, as security agent.

The Revolving Credit Facility may be utilized by any current or future borrower under the Revolving Credit Facility Agreement in Euro, Sterling or any other readily available currency approved by the agent by the drawing of cash advances or the issue of letters of credit and ancillary facilities. The Revolving Credit Facility may be applied towards the general corporate and working capital purposes of the Restricted Group (being the Issuers, the Company and its restricted subsidiaries).

In addition, the Company may elect to request additional commitments under the Revolving Credit Facility Agreement (the “*Additional Increase*”). The total amount of such indebtedness that may be incurred by way of Additional Increase shall not exceed €30 million subject to certain conditions. The Company and the lenders may agree to certain terms in relation to the Additional Increase, including the margin (subject to parameters as set out in the Revolving Credit Facility Agreement).

The Revolving Credit Facility may be utilised from the Issue Date until the date falling one month prior to the maturity date of the Revolving Credit Facility.

Interest and Fees

Loans under the Revolving Credit Facility Agreement will initially bear interest at rates per annum equal to EURIBOR or, for loans denominated in Sterling, LIBOR, plus a margin of 3.00% per annum.

A margin ratchet will apply based on the Consolidated Leverage Ratio (as defined in the Revolving Credit Facility Agreement).

The margin on any loans under an Additional Increase will be agreed between the Company and the relevant lenders (subject to the parameters as set out in the Revolving Credit Facility Agreement).

Default interest is calculated as an additional 1% per annum on the overdue amount.

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility from the Issue Date to the end of the availability period for the Revolving Credit Facility at a rate of 30% of the applicable margin for the Revolving Credit Facility.

The commitment fee is payable quarterly in arrears, on the last day of availability of the Revolving Credit Facility and if the Revolving Credit Facility is cancelled on the date on which the cancellation is effective.

The commitment fee in respect of any Additional Increase shall be agreed between the Company and the relevant lenders (subject to the parameters as set out in the Revolving Credit Facility Agreement).

The Company is also required to pay customary agency fees to the facility agent and the security agent and an arrangement fee to the arrangers in connection with the Revolving Credit Facility.

Repayments

Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Revolving Credit Facility will be repaid on the maturity date which is the date falling 54 months after the Issue Date. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be reborrowed during the availability period of the facility, subject to certain conditions.

Voluntary and Mandatory Prepayments

The Revolving Credit Facility Agreement allows for voluntary prepayments (subject to *de minimis* amounts). The Revolving Credit Facility Agreement also permits each lender to require the mandatory prepayment of all amounts due to that lender upon a change of control (which includes a “*Change of Control*” as defined in the Indentures). In addition, in the event of a sale of all or substantially all of the assets of the Restricted Group whether in a single transaction or a series of related transactions the Revolving Credit Facility will be cancelled and all amounts outstanding under the Revolving Credit Facility Agreement will become immediately due and payable.

Guarantees

The Parent, the Issuers, the Company and certain subsidiaries of the Company (the “*Guarantors*”) have provided a senior guarantee of all amounts payable to the finance parties under the Revolving Credit Facility Agreement, subject to limitations imposed by applicable law and certain of the Agreed Security Principles.

The Revolving Credit Facility Agreement requires that (subject to the Agreed Security Principles) each member of the Restricted Group that is or becomes a Material Company (which definition includes, among other things, any member of the Restricted Group that has earnings before interest, tax, depreciation and amortisation representing 5% (or 10% in respect of any member of the Group incorporated in France) or more of Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) or gross assets representing 5% (or 10% in respect of any member of the Group incorporated in France) or more of the gross assets of the Restricted Group) following the Issue Date, holding companies of Material Companies which are members of the Restricted Group and any member of the Restricted Group that is or becomes a borrower, issuer or guarantor in respect of the Notes or certain other senior secured debt will be required to become a guarantor under the Revolving Credit Facility Agreement within the time period specified therein.

Furthermore, the Company shall ensure that at all times the Guarantors represent not less than 80% of each of the Consolidated EBITDA (as defined in the Revolving Credit Facility Agreement and excluding any company incorporated in France) or the gross assets of the Restricted Group (subject to certain exceptions).

Security

The Revolving Credit Facility is secured by the same collateral as the Senior Secured Notes; however, holders of the Senior Secured Notes will receive proceeds from enforcement of such collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Revolving Credit Facility and certain hedging obligations, have been repaid in full. The Revolving Credit Facility is also secured by certain assets of various subsidiaries of the Company, subject to the Agreed Security Principles.

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, binding obligations, non-conflict with constitutional documents, laws or other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, insolvency, no filing or stamp taxes, no default, no misleading information, financial statements, no litigation, no breach of laws, compliance with environmental laws, taxation, security and indebtedness, ranking, good title to assets, shares, intellectual property, group structure chart, accounting reference date, centre of main interests, pensions and sanctions.

Covenants

The Revolving Credit Facility Agreement contains certain of the incurrence covenants and related definitions (with certain adjustments and exceptions) that are set forth in the Senior Secured Notes Indenture. In addition, the Revolving Credit Facility Agreement contains a financial covenant (see “—*Financial Covenant*”).

The Revolving Credit Facility Agreement also contains a “note purchase condition” covenant. Subject to certain exceptions set out in the Revolving Credit Facility Agreement, the Company may not, and shall

procure that no other member of the Restricted Group will, repay, prepay, purchase, defease, redeem or otherwise directly or indirectly acquire or retire the principal amount of the Notes (or, in each case, any replacement or refinancing thereof as permitted under the Revolving Credit Facility Agreement from time to time). The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Notes as at the Issue Date provided that this is not prohibited by the Intercreditor Agreement and no event of default under the Revolving Credit Facility is continuing or would result from such payment.

The Revolving Credit Facility Agreement also requires certain members of the Restricted Group to observe certain affirmative covenants, including covenants relating to maintenance of guarantor and security coverage, further assurances, maintenance of authorisations, compliance with laws and sanctions, taxation, change of business, preservation of assets, acquisitions, *pari passu* ranking, insurance, pensions, access, intellectual property, unrestricted subsidiaries, centre of main interests, environmental, note purchase condition, super senior indebtedness, financial assistance and treasury transactions.

The Revolving Credit Facility contains an information covenant under which, among other things, the Company is required to deliver to the facility agent annual financial statements, quarterly financial statements, compliance certificates, an annual budget and, if there are outstanding utilisations under the Revolving Credit Facility, any ancillary facility outstanding and/or any amounts outstanding under letters of credit, monthly financial statements.

Financial Covenant

The Revolving Credit Facility Agreement requires the Company to maintain a minimum EBITDA (as defined in the Revolving Credit Facility Agreement) of €70 million if, at 5 p.m. London time on the last day of the relevant measurement period, the aggregate amount of all outstanding utilisations under the Revolving Credit Facility, any ancillary facility outstandings, and any amounts outstanding under letters of credit, is equal to or exceeds €16 million.

The Company is permitted to cure breaches of the minimum EBITDA (as defined in the Revolving Credit Facility Agreement) covenant by amongst other things applying any cure amount (being amounts received by the Company in cash pursuant to any new equity or permitted shareholder loan) in prepayment of the Revolving Credit Facility such that the aggregate amount of all outstanding utilisations under the Revolving Credit Facility, any ancillary facility outstandings, and any amounts outstanding under letters of credit is less than €16 million. No more than four cure amounts may be taken into account during the term of the Revolving Credit Facility and not in consecutive quarters.

Events of Default

In addition, the Revolving Credit Facility contains, amongst others, the following events of default (subject in certain cases to customary grace periods, materiality thresholds and exceptions):

- non-payment;
- breach of the financial covenant (subject to equity cure rights);
- inaccuracy of a representation or statement when made;
- cross-default on financial indebtedness (subject to a €10 million threshold);
- occurrence of an event of default in relation to the Notes;
- insolvency and insolvency proceedings consistent with equivalent provisions in the Senior Secured Notes Indenture;
- cessation of business;
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the Revolving Credit Facility;
- breach of the terms of the Intercreditor Agreement by any member of the Restricted Group a borrower, a Guarantor or the Parent;
- audit qualifications;
- expropriation;

- repudiation and rescission of agreements;
- litigation; or
- an event or circumstance occurs which has a material adverse effect on the Company's and the Guarantors' ability to perform their payment obligations under the Revolving Credit Facility and the Notes (or, in each case, any refinancing thereof).

Governing Law

The Revolving Credit Facility is governed by and construed in accordance with English law although certain covenants and certain events of default, which are included in the Revolving Credit Facility and largely replicate those contained in the Senior Secured Notes Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility is governed by English law).

Intercreditor Agreement

In connection with entering into the Revolving Credit Facility Agreement and the Indentures, the Senior Secured Notes Issuer, the Senior Notes Issuer, the other guarantors under the Revolving Credit Facility, the Parent, the Company and certain other subsidiaries of the Company and certain other entities will enter into the Intercreditor Agreement to govern the relationships and relative priorities among: (i) the lenders under the Revolving Credit Facility (the "*Revolving Lenders*"); (ii) any persons that accede to the Intercreditor Agreement as counterparties to certain hedging agreements entered into by a Debtor (other than the Parent or a Notes Issuer) (collectively, the "*Hedging Agreements*" and any persons that accede to the Intercreditor Agreement as counterparties to such Hedging Agreements being referred to in such capacity as the "*Hedge Counterparties*"); (iii) the Senior Secured Notes Trustee, on its own behalf and on behalf of the holders of the Senior Secured Notes (the "*Senior Secured Noteholders*"); (iv) the Pari Passu Creditors (as defined below); (v) the Senior Notes Trustee, on its own behalf and on behalf of the holders of the Senior Notes (the "*Senior Noteholders*"); (vi) certain intra-group creditors and debtors; and (vii) certain direct or indirect shareholders of the Issuers in respect of certain debt that the Issuers have incurred or may incur in the future (including any subordinated shareholder loans).

In this description:

"*Company*" means HEMA B.V.;

"*Debt Documents*" means each of:

- the Intercreditor Agreement;
- at the option of the Company, any master agreement, confirmation, schedule, spot or forward delivery foreign exchange contract or other agreement entered into by a Debtor (other than the Parent or any Notes Issuer) and a Hedge Counterparty for the purposes of hedging any interest rate, foreign exchange or other exposures;
- the Revolving Facility Documents or upon the final discharge of the Revolving Creditor Liabilities and if so designated, each document relating to indebtedness permitted by the Debt Documents with the same priority and payment and security ranking as the Revolving Creditor Liabilities;
- the Senior Secured Notes Indenture and any other indenture, agreement, document or instrument pursuant to which the Senior Secured Notes are issued (or any guarantees therefor are given) in accordance with the Intercreditor Agreement and the Senior Secured Notes;
- the Pari Passu Debt Documents;
- the Senior Notes Indenture and any other indenture, agreement, document or instrument pursuant to which the Senior Notes are issued (or any guarantees therefor are given) in accordance with the Intercreditor Agreement and the Senior Notes;
- the Transaction Security Documents and any other document entered into at any time by any of the Debtors creating any guarantee, indemnity, security or other assurance against financial loss in favor of any of the Secured Parties as security for any of the secured obligations and any security granted by a member of the Group to the Primary Creditors, the Security Agent, any receiver or delegate, any arranger or any representative (together, the "*Secured Parties*") under any covenant for further assurance in any of such documents (collectively, the "*Security Documents*");

- the Senior Notes Proceeds Loan and the Senior Secured Notes Proceeds Loan; and
 - any agreement evidencing the terms of the Intra-Group Liabilities or Subordinated Liabilities,
- (each capitalized term as defined below) and any other document designated as such by the Security Agent and the Company;
- the Company, the Parent, the Notes Issuers and any person which becomes a party to the Intercreditor Agreement as a Debtor is referred to as a “*Debtor*” and are collectively referred to as the “*Debtors*”;
 - “*Group*” refers to the Notes Issuers, the Company and its restricted subsidiaries from time to time;
 - “*Notes Issuer*” means the Senior Notes Issuer or the Senior Secured Notes Issuer;
 - “*Senior Notes Issuer*” means HEMA Bondco II B.V.;
 - “*Senior Notes Proceeds Loan*” means each loan whereby the proceeds of the issue of any Senior Notes are on lent by the Senior Notes Issuer to the Company;
 - “*Senior Secured Notes Issuer*” means HEMA Bondco I B.V.; and
 - “*Senior Secured Notes Proceeds Loan*” means each loan whereby the proceeds of the issue of any Senior Secured Notes are on lent by the Senior Secured Notes Issuer to the Company.

The Intercreditor Agreement will set forth:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale or disposal of any assets subject to transaction security (such assets, the “*Collateral*,” such security, the “*Transaction Security*” and the documents creating or evidencing such security the “*Transaction Security Documents*”).

The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors (that is not subordinated in right of payment to any Super Senior Liabilities or Senior Secured Notes Liabilities (each as defined below)) in respect of any loan, credit or debt facility, notes, indenture or security which are permitted or not prohibited, under the terms of the Senior Secured Notes Finance Documents, the Pari Passu Debt Documents and the Revolving Facility Documents (each as defined below), to share in the Transaction Security with the rights and obligations of *pari passu* creditors as provided for in the Intercreditor Agreement (such indebtedness being the “*Pari Passu Debt*,” the creditors in respect of such indebtedness being the “*Pari Passu Creditors*,” the liabilities of the Debtors in respect of such indebtedness being the “*Pari Passu Debt Liabilities*” and the documents under which such Pari Passu Debt is incurred being the “*Pari Passu Debt Documents*”).

Unless expressly stated otherwise in the Intercreditor Agreement, in the event of a conflict between the terms of the Revolving Credit Facility Agreement, the Senior Secured Notes Indenture, any other indenture under which senior secured notes are issued, the Pari Passu Debt Documents, the Senior Notes Indenture or any other indenture under which Senior Notes are issued and the Intercreditor Agreement, the provisions of the Intercreditor Agreement will prevail (save to the extent that to do so would result in or have the effect of any Debtor or member of the Group contravening any applicable law or regulation, or present a material risk of liability for any Debtor or member of the Group and/or its directors or officers, or give rise to a material risk of breach of fiduciary or statutory duties).

By purchasing a Note, holders of the Notes shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement and you are advised to read that document in its entirety

because it, and not the discussion that follows, defines certain rights of the holders of the Senior Secured Notes and the holders of the Senior Notes.

Ranking and Priority

The Intercreditor Agreement will provide that (i) the liabilities of the Debtors under or with respect to the Revolving Credit Facility Agreement (the “*Revolving Creditor Liabilities*” and the finance documents relating to such liabilities the “*Revolving Facility Documents*”), (ii) the liabilities of the Debtors (other than the Parent or any Notes Issuer) under or in connection with the Hedging Agreements (the “*Hedging Liabilities*,” *provided* that, where such Hedging Liabilities relate to (a) the hedging of any floating interest rate exposure associated with the Senior Secured Notes or any other senior secured notes, any Pari Passu Debt, the Senior Notes or any other senior notes and (b) up to €15 million in aggregate of non-speculative operational hedging, such liabilities are “*Priority Hedging Liabilities*” and, together with the Revolving Creditor Liabilities, “*Super Senior Liabilities*” for the purposes of the Intercreditor Agreement, and all other Hedging Liabilities are “*Non Priority Hedging Liabilities*” for the purposes of the Intercreditor Agreement), (iii) the liabilities of the Senior Secured Notes Issuer and the Debtors in respect of the Senior Secured Notes and any other senior secured notes (the “*Senior Secured Notes Liabilities*” and the finance documents relating to such liabilities “*Senior Secured Notes Finance Documents*”), (iv) the Pari Passu Debt Liabilities (together with the Senior Secured Notes Liabilities and the Non Priority Hedging Liabilities, the “*Senior Secured Liabilities*”), (v) the liabilities of the Senior Notes Issuer in respect of the Senior Notes and any other senior notes (the “*Senior Notes Liabilities*” and the finance documents relating to such liabilities, the “*Senior Notes Finance Documents*”), (vi) the liabilities of the Debtors under guarantees (the “*Senior Notes Guarantees*”) in respect of the Senior Notes (the “*Senior Notes Guarantee Liabilities*”) and (vii) certain other unsecured liabilities will rank in right and priority of payment in the following order:

- (in respect of liabilities owed by the Debtors (other than the Senior Notes Issuer) to the Primary Creditors (as defined below):
 - (A) first, the Revolving Creditor Liabilities, the Priority Hedging Liabilities, the Non Priority Hedging Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities, the liabilities owed to the Security Agent, the Senior Secured Notes Trustee Amounts (as defined below), the Pari Passu Debt Representative Amounts (as defined below) and the Senior Notes Trustee Amounts (as defined below) *pari passu* and without any preference between them; and
 - (B) second, the Senior Notes Guarantee Liabilities and the liabilities owing to the Senior Notes Issuer under the Senior Notes Proceeds Loan *pari passu* between themselves and without any preference between them; and
- Liabilities owed by the Senior Notes Issuer to the Primary Creditors shall rank *pari passu* and without any preference between each of the Revolving Creditor Liabilities, the Priority Hedging Liabilities, the Non Priority Hedging Liabilities, the Senior Secured Notes Liabilities (including the Senior Secured Notes Trustee Amounts), the Pari Passu Debt Liabilities and the Senior Notes Liabilities (including the Senior Notes Trustee Amounts).

The Transaction Security (to the extent it is expressed to secure the relevant liabilities) will rank and secure the following liabilities in the following order:

- first, the liabilities owed to the Security Agent, the liabilities owed to each trustee (a “*Senior Secured Notes Trustee*”) in respect of Senior Secured Notes or any other senior secured notes (the “*Senior Secured Notes Trustee Amounts*”), the liabilities owed to each creditor representative (a “*Pari Passu Debt Representative*”) in respect of Pari Passu Debt (the “*Pari Passu Debt Representative Amounts*”) and the liabilities owed to each trustee or agent (a “*Senior Notes Trustee*”) in respect of Senior Notes or any other senior notes (the “*Senior Notes Trustee Amounts*”), the Revolving Creditor Liabilities, the Priority Hedging Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities and the Non Priority Hedging Liabilities *pari passu* and without any preference between them; and
- second (to the extent only of the Shared Senior Notes Collateral), the Senior Notes Liabilities (other than the Senior Notes Trustee Amounts),

and that in any event (irrespective of the manner in which such Transaction Security is constituted) all proceeds of the Transaction Security shall be applied as described under “—*Application of proceeds*” below.

In this section:

- any liabilities owed by any member of the Group to the Parent and each person who has become a party to the Intercreditor Agreement as a subordinated creditor (the “*Subordinated Creditors*”) under any loan or which are indebtedness or which are declared dividends or any other distribution (and including, for the avoidance of doubt, any rights, actions or claims such Subordinated Creditor may have as a result of enforcement of security, or payment under the guarantee, it has granted) together with any of the following matters relating to or arising in respect of those liabilities and obligations:
 - (a) any refinancing (other than a refinancing in the ordinary course and not by reason of financial difficulties), novation, deferral or extension;
 - (b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;
 - (c) any claim for damages or restitution; and
 - (d) any claim as a result of any recovery by any member of the Group of a payment on the grounds of preference or otherwise,and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings are referred to as (to the extent owed to any Subordinated Creditor) “*Subordinated Liabilities*”; and
- any liabilities owed by any member of the Group which is a Debtor to any other member of the Group which is a creditor in respect of indebtedness of that first member of the Group and which is or becomes a party to the Intercreditor Agreement as an intra-group lender (excluding the Senior Secured Notes Issuer in its capacity as lender under the Senior Secured Proceeds Loan and the Senior Notes Issuer in its capacity as lender under the Senior Notes Proceeds Loan) (the “*Intra-Group Lenders*”), are referred to as “*Intra-Group Liabilities*”.

Under the Intercreditor Agreement, all proceeds from enforcement of the Collateral and certain other recoveries will be applied as provided under “—*Application of Proceeds*” below.

New Money and Refinancing

The Intercreditor Agreement contemplates that, to the extent permitted by, and subject to compliance with the requirements of, the Intercreditor Agreement and the other Debt Documents:

- the Revolving Lenders may increase a Revolving Credit Facility and make further advances under such Revolving Credit Facility to members of the Group and each such advance or increased amount will be deemed to be made under the terms of the relevant Revolving Credit Facility;
- the Senior Secured Notes Issuer may issue senior secured notes in addition to the Senior Secured Notes (whether under the Senior Secured Notes Indenture or an additional indenture issuing senior secured notes);
- a Debtor may incur Pari Passu Debt under a Pari Passu Debt Document;
- the Senior Notes Issuer may issue senior notes in addition to the Senior Notes (whether under the Senior Notes Indenture or under an additional indenture pursuant to which Senior Notes are issued); and
- any of the above liabilities may with the consent of the Company be refinanced or replaced in whole or in part,

and that any such additional, increased or refinanced liabilities shall rank and be secured under the Intercreditor Agreement on a super senior basis, senior secured basis or senior basis (as applicable) as provided for under the Intercreditor Agreement.

The creditors in respect of Revolving Creditor Liabilities, Hedging Liabilities, Senior Secured Notes Liabilities, Pari Passu Debt Liabilities and Senior Notes Liabilities (together the “*Primary Creditors*”) agree that if any Transaction Security over any asset under the applicable Transaction Security Documents is amended, extended, renewed, restated, supplemented or otherwise modified, replaced or released to ensure that the additional, increased or refinanced liabilities described above (the “*Additional Secured Liabilities*”) can be secured with the ranking contemplated as set out under “—*Ranking and Priority*”

above, then the Security Agent is authorized to effect such amendment extension, renewal, restatement, supplement, modification, replacement or release the applicable Transaction Security Documents *provided* that:

- if an event of default under a Revolving Credit Facility (that is not to be refinanced or replaced in whole) is continuing at that time the requisite consent under the Revolving Credit Facility is obtained;
- immediately upon such release of Transaction Security, new Transaction Security shall be provided in favor of the providers of such Additional Secured Liabilities or secured refinancing liabilities and the existing Secured Creditors on terms substantially the same as the terms of the Transaction Security Documents released and subject to the same ranking as set out under “—*Ranking and Priority*” above; and
- contemporaneously with such amendment, extension, replacement, restatement, supplement, modification, renewal or release (followed by an immediate retaking of security of at least equivalent ranking over the same assets) which has the effect of releasing the relevant Transaction Security, the Company delivers to the Security Agent either (A) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Security Agent confirming the solvency of the person granting such Transaction Security after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or release and retaking; (B) a certificate from the board of directors or chief financial officer of the relevant person, which certificate confirms the solvency of the person granting such Transaction Security after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or release and retaking; or (C) an opinion of counsel, in form and substance reasonably satisfactory to the Security Agent (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking, the Transaction Security created under the Transaction Security Documents so amended, extended, renewed, restated, supplemented, modified, replaced or released and retaken is valid and perfected Transaction Security not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Transaction Security was not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification, replacement or release and retaking.

Notwithstanding anything to the contrary in the Intercreditor Agreement, no Secured Party shall be required to release any Transaction Security under the Transaction Security Documents where the release described above may result in such Secured Party incurring any hardening period risk in respect of any such Transaction Security if and to the extent that the relevant Additional Secured Liabilities can be secured by lower ranking security in favour of the Secured Parties with the ranking described under “—*Ranking and Priority*” above by virtue of the provisions of the Intercreditor Agreement.

Permitted Payments

The Intercreditor Agreement will permit, inter alia, payments to be made by the Debtors or relevant issuer under the Revolving Credit Facility, the Hedging Agreements, the Senior Secured Notes Indenture, the Pari Passu Debt Documents and the Senior Notes Indenture, in each case in accordance with the terms of the document creating or evidencing such liabilities, but subject to:

- (a) in the case of payments in respect of the Senior Secured Notes, Pari Passu Debt and Senior Notes, compliance with certain conditions related to a Notes Purchase (as defined below) pursuant to which prepayments may not be made unless no event of default under the Revolving Credit Facility is continuing or would result from such prepayment and either:
 - (i) the aggregate principal amount of all Senior Secured Notes, all Senior Notes and any other debt with a scheduled maturity date 12 months or more from the date on which it was incurred (other than debt under the Revolving Credit Facility) or any refinancing indebtedness of the foregoing (together, the “*Relevant Debt*”) which is subject to repayment, prepayment, purchase, redemption, defeasance (or other retirement for value), or is otherwise directly or indirectly acquired (each a “*Notes Purchase*”) since the Issue Date (the “*Closing Date*”) (for the avoidance of doubt, excluding fees, make-whole payments or other redemption premia) does not exceed 50 per cent. of the aggregate principal amount of the Notes as at the Closing Date (without double counting any refinancing or other replacement of any Senior Secured Notes Liabilities in

whole or in part (“*Senior Secured Notes Liabilities Refinancing*”) or Senior Notes Liabilities in whole or in part (“*Senior Notes Liabilities Refinancing*”) in each case used to refinance or replace Relevant Debt);

- (ii) to the extent the aggregate principal amount of all Relevant Debt which is the subject of Notes Purchases made since the Closing Date (for the avoidance of doubt, excluding fees, make-whole payments or other redemption premia) exceeds 50 per cent. of the aggregate principal amount of the Notes as at the Closing Date (without double counting any Senior Secured Notes Liabilities Refinancing or Senior Notes Liabilities Refinancing used to refinance or replace Relevant Debt) (the “*Notes Purchase Excess*”), commitments under the Revolving Credit Facility are cancelled (and, if applicable, amounts outstanding under the Revolving Credit Facility are prepaid) pro rata to the reduction of Senior Secured Notes Liabilities and Senior Notes Liabilities by the Notes Purchase Excess; or
 - (iii) a Change of Control has occurred provided that the Company has complied (or will comply) with its obligations under the Revolving Credit Facility in respect of a Change of Control or sale of all or substantially all of the Group’s assets.
- (b) in the case of payments in respect of Hedging Liabilities, the conditions described under “—*Permitted Hedging Liabilities Payments*” below; and
- (c) in the case of payments in respect of the Senior Notes and Additional Senior Liabilities, the conditions described under “—*Permitted Senior Notes Payments*” below.

After the occurrence of an Acceleration Event (as defined below) no Debtor nor any member of the Group may make a payment in respect of Revolving Creditor Liabilities, Senior Secured Notes Liabilities or Pari Passu Debt Liabilities except from recoveries distributed in accordance with the payment waterfall described in “—*Application of Proceeds*” below. No payment may be made by a Debtor in respect of Hedging Liabilities after an Acceleration Event has occurred except from recoveries distributed in accordance with the payment waterfall described in “—*Application of Proceeds*” below.

The Intercreditor Agreement also permits payments to be made from time to time to Intra-Group Lenders owed any Intra-Group Liabilities (“*Intra-Group Liabilities Payments*”) if at the time of payment no acceleration event has occurred in respect of the Revolving Creditor Liabilities, the Senior Secured Notes Liabilities, the Pari Passu Debt Liabilities or the Senior Notes Liabilities (an “*Acceleration Event*”) in respect of which the Security Agent (acting on the instructions of the Instructing Group (as defined below)) has delivered written notice to the Company stating that no payments may be made in respect of the Intra-Group Liabilities. The Intercreditor Agreement permits Intra-Group Liabilities Payments if an Acceleration Event has occurred and is continuing and the Security Agent (acting on the instructions of the Instructing Group (as defined below)) has delivered written notice to the Company stating that no payments may be made in respect of the Intra-Group Liabilities, in each case: (i) prior to the date on which the Super Senior Liabilities, Senior Secured Liabilities and Senior Notes Liabilities are discharged in cash (the “*Final Discharge Date*”), with the consent of (1) the requisite majority of Revolving Lenders (the “*Majority Revolving Lenders*”), the Senior Secured Notes Trustee(s) and the Pari Passu Debt Representative(s) or (2) (if, at that time, the Security Agent is obliged to give effect to instructions from a majority of Senior Noteholders (the “*Majority Senior Notes Creditors*”) as to the manner of enforcement of the Transaction Security as described under “—*Manner of Enforcement of Transaction Security*” below, the Majority Senior Notes Creditors; (ii) after the discharge date (the “*Secured Debt Discharge Date*”) in respect of the Super Senior Liabilities and Senior Secured Liabilities (together the “*Secured Debt*”) but prior to the discharge date in respect of the Senior Notes Liabilities (the “*Senior Notes Discharge Date*”), with the consent of the relevant Senior Notes Trustee(s); or (iii) if that payment is made solely to facilitate payment of the Super Senior Liabilities, Non Priority Hedging Liabilities, Senior Secured Notes Liabilities, Pari Passu Debt Liabilities, Senior Secured Notes Trustee Amounts, Senior Notes Trustee Amounts or Senior Notes Liabilities (in each case to the extent permitted by the Intercreditor Agreement to be paid).

Payments may be made in respect of Subordinated Liabilities if: (i) the payment is permitted or not prohibited by the Revolving Credit Facility Agreement, the Senior Secured Notes Indenture, the Pari Passu Debt Documents and the Senior Notes Indenture, in each case prior to the relevant discharge date; (ii) prior to the Secured Debt Discharge Date, to the extent the relevant Senior Secured Documents or Super Senior Debt Documents prohibit such payment the Majority Super Senior Creditors, the relevant Senior Secured Notes Trustee(s) and the relevant Pari Passu Debt Representative(s) consent to such payment being made; or (iii) on or after the Secured Debt Discharge Date, the prior consent of the

relevant Senior Notes Trustee(s) is obtained to the extent the relevant Senior Notes Finance Documents prohibit such payment.

Permitted Hedging Liabilities Payments

Subject to the conditions described below (and unless an Acceleration Event has occurred), the Debtors may make payments to any Hedge Counterparty in respect of the Hedging Liabilities then due to that Hedge Counterparty under any Hedging Agreement in accordance with the terms of that Hedging Agreement (i) if the payment is a scheduled payment arising under the relevant Hedging Agreement (or another ordinary course payment under a Hedging Agreement, including any payment in relation to fees, costs and expenses); (ii) to the extent that the relevant Debtor's obligation to make the payment arises as a result of the operation of non-credit related close-outs under the Hedging Agreements or certain provisions in relation to withholding tax, payments in the contractual currency, judgments and expenses; (iii) to the extent that the relevant Debtor's obligation to make the payment arises as a result of the operation of a credit related close-out or a permitted automatic early termination under the Hedging Agreement which arises as a result of an event relating to a Debtor and where no event of default under the Revolving Facility Documents, the Senior Secured Notes Finance Documents or the Pari Passu Debt Documents is continuing at the time of, or would result from, that payment; (iv) where the relevant payment relates to a close-out or termination arising as a result of a bankruptcy event of default or hedging force majeure termination event with respect to the relevant Hedge Counterparty and where no event of default under the Revolving Facility Documents, the Senior Secured Notes Finance Documents or the Pari Passu Debt Documents is continuing at the time of, or would result from, that payment; (v) with the consent of the Majority Revolving Lenders and Majority Senior Secured Creditors (as defined below); (vi) if the payment is a payment pursuant to the provision regulating order of the application of proceeds described under "*—Application of Proceeds*"; or (vii) if the payment arises directly or indirectly as a result of any close-out, termination or other similar or equivalent action by a member of the Group (provided that the Group will remain in compliance with any minimum hedging requirements under any of the Debt Documents).

Permitted Senior Notes Payments

The Company or any Debtors who are members of the Group may:

- (a) prior to the Secured Debt Discharge Date, make payments directly or indirectly to the Senior Notes Creditors in respect of the Senior Notes Liabilities then due in accordance with the Senior Notes Finance Documents and in respect of the Senior Notes Proceeds Loan Liabilities then due in accordance with the Senior Notes Proceeds Loan:
 - (i) if:
 - (A) the payment is of:
 - (I) any of the principal amount of the Senior Notes Liabilities (together with any corresponding amount under the relevant Senior Notes Proceeds Loan) which is either (1) not prohibited from being paid by the Revolving Credit Facility Agreement (if the date of discharge of the Revolving Creditor Liabilities (the "*Revolving Facility Discharge Date*") has not occurred), the Senior Secured Notes Indenture or other indenture pursuant to which the Senior Secured Notes or any other senior secured notes are outstanding (if the date of discharge of the Senior Secured Notes Liabilities (the "*Senior Secured Notes Discharge Date*") has not occurred) and the Pari Passu Debt Documents pursuant to which Pari Passu Debt is outstanding (if the date of discharge of the Pari Passu Debt Liabilities (the "*Pari Passu Debt Discharge Date*") has not occurred) or (2) paid on or after the final maturity date of the Senior Notes Liabilities or Senior Notes Proceeds Loan Liabilities, as applicable (provided that such maturity date is not earlier than the maturity date contained in the original form of the Senior Notes Indenture governing such Senior Notes Liabilities or Senior Notes Proceeds Loan governing such Senior Notes Proceeds Loan Liabilities); or
 - (II) any other amount (including, without limitation, cash pay interest, default interest, fees and additional amounts) which is not an amount of principal or capitalized interest and any corresponding amount under any relevant proceeds loan;
 - (B) no Senior Notes Payment Stop Notice (as defined below) is outstanding; and

- (C) no payment default has occurred and is continuing (I) under the Revolving Credit Facility or in respect of Priority Hedging Liabilities (a “*Super Senior Payment Default*”) or (II) in excess of certain applicable thresholds, under the Senior Secured Notes Finance Documents or Pari Passu Debt Documents or in respect of Non Priority Hedging Liabilities (a “*Senior Secured Debt Payment Default*”, together with a Super Senior Payment Default a “*Secured Debt Payment Default*”); or
- (ii) if the Revolving Agent, the Senior Secured Notes Trustee(s) and the Pari Passu Debt Representative(s) give prior consent to that payment being made to the extent the relevant Debt Documents prohibits such payment from being made; or
- (iii) if the payment is of a Senior Notes Trustee Amount; or
- (iv) if the payment is of certain administrative costs relating to the Senior Notes Issuer and costs relating to the protection, preservation or enforcement of the Transaction Security; or
- (v) if the payment is of costs, commissions, taxes (including gross up amounts), consent fees and original issuance discount and upfront fees and expenses incurred in respect of (or reasonably incidental to) the Senior Notes Finance Documents (including in relation to any reporting or listing requirements under the Senior Notes Finance Documents); or
- (vi) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Notes in compliance with the Intercreditor Agreement; and
- (b) on or after the Secured Debt Discharge Date, make any payments to or with respect to the Senior Notes Creditors in respect of the Senior Notes Liabilities in accordance with the Senior Notes Finance Documents (including, for the avoidance of doubt, payment of principal) and make any corresponding payments in respect of the relevant Senior Notes Proceeds Loan.

Issue of Senior Payment Stop Notice

- (a) Until the Secured Debt Discharge Date, except with the prior consent of the Revolving Agent (if the Revolving Facility Discharge Date has not occurred), the Senior Secured Notes Trustee(s) (if the relevant Senior Secured Discharge Date has not occurred) and the Pari Passu Debt Representative(s) (if the relevant Pari Passu Debt Discharge Date has not occurred) and subject to the provisions of the Intercreditor Agreement which deal with the effects of an insolvency event, the Company and the Parent (x) shall not make (and shall procure that no other member of the Group (other than the Senior Notes Issuer) shall make), and no Senior Notes Creditor may receive from any other member of the Group (other than the Senior Notes Issuer), any payment in respect of the Senior Notes which would otherwise be permitted as referred to above (a “*Permitted Senior Notes Payment*”) (other than any referred to in (a)(ii) of “—*Permitted Senior Notes Payments*” above and any Senior Notes Trustee Amounts) and (y) shall not make (and shall procure that no other member of the Group shall make), and no Senior Notes Issuer may receive from any member of the Group, any payment of or in respect of Senior Proceeds Loan Liabilities, if:
 - (i) a Secured Debt Payment Default is continuing; or
 - (ii) an event of default under any document or instrument creating or evidencing the Secured Debt other than the Hedging Liabilities (a “*Secured Debt Event of Default*”) (other than a Secured Debt Payment Default) is continuing, from the date which is one business day after the date on which the Revolving Agent, any Senior Secured Notes Trustee or any Pari Passu Debt Representative (as the case may be) delivers a notice (a “*Senior Notes Payment Stop Notice*”) specifying the event or circumstance in relation to that Secured Debt Event of Default to the Senior Notes Issuer, the Security Agent, the Revolving Agent, the Senior Secured Notes Trustee(s), the Senior Notes Trustee(s) and the Pari Passu Debt Representative(s) (in each case, as applicable) until the earliest of:
 - (A) the first business day falling 179 days after delivery of that Senior Notes Payment Stop Notice;
 - (B) in relation to payments of Senior Notes Liabilities or Senior Notes Proceeds Loan Liabilities, if a Senior Notes Standstill Period (as defined below) is in effect at any time after delivery of

that Senior Notes Payment Stop Notice, the date on which that Senior Note Standstill Period expires;

- (C) the date on which the relevant Secured Debt Event of Default has been remedied or waived or, if the relevant Revolving Creditor Liabilities or Senior Secured Notes Liabilities have been accelerated, such acceleration has been rescinded, in accordance with the Revolving Credit Facility Agreement or the relevant Senior Secured Notes Finance Documents (as applicable);
 - (D) the date on which each Revolving Agent, Senior Secured Notes Trustee(s) and Pari Passu Debt Representative(s) which delivered the relevant Senior Notes Payment Stop Notice delivers a notice to the Senior Notes Issuer, the Security Agent, the Revolving Agent(s), the Senior Secured Notes Trustee(s), the Senior Notes Trustee(s) and the Pari Passu Debt Representative(s) (in each case, as applicable) cancelling the Senior Notes Payment Stop Notice;
 - (E) the Secured Debt Discharge Date; and
 - (F) the date on which the Security Agent or a Senior Notes Trustee takes enforcement action permitted under the Intercreditor Agreement against a member of the Group.
- (b) Unless the Senior Notes Trustee(s) waive this requirement:
- (i) a new Senior Notes Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Senior Notes Payment Stop Notice; and
 - (ii) no Senior Notes Payment Stop Notice may be delivered in reliance on a Secured Debt Event of Default more than 45 days after the date the Revolving Agent, each Senior Secured Notes Trustee and each Pari Passu Debt Representative received notice of that Secured Debt Event of Default.
- (c) The Revolving Agent, the Senior Secured Notes Trustee(s) and the Pari Passu Debt Representative(s) may only serve one Senior Notes Payment Stop Notice with respect to the same event or set of circumstances. Subject as described in paragraph (b) above, this shall not affect the right of the Revolving Agent or the Senior Secured Notes Trustee(s) or the Pari Passu Debt Representative(s) to issue a Senior Notes Payment Stop Notice in respect of any other event or set of circumstances.
- (d) No Senior Notes Payment Stop Notice may be served by a Revolving Agent, a Senior Secured Notes Trustee or a Pari Passu Debt Representative in respect of a Secured Debt Event of Default which had been notified to the Revolving Agent, the Senior Secured Notes Trustee(s) and the Pari Passu Debt Representative(s), as relevant, at the time at which an earlier Senior Notes Payment Stop Notice was issued.
- (e) For the avoidance of doubt, the provisions in the Intercreditor Agreement relating to a Senior Notes Payment Stop Notice:
- (i) act as a suspension of payment and not as a waiver of the right to receive payment on the date such payments are due;
 - (ii) will not prevent the accrual or capitalization of interest (including default interest) in accordance with the Senior Notes Finance Documents;
 - (iii) will not prevent the payment of any Senior Notes Trustee Amounts and certain administrative costs relating to the Senior Notes Issuer; and
 - (iv) will not prevent the payment of audit fees, directors' fees, taxes and other proper and incidental expenses required to maintain existence.

Cure of Payment Stop: Senior Notes Creditors

If:

- (a) at any time following the issue of a Senior Notes Payment Stop Notice or the occurrence of a Secured Debt Payment Default, that Senior Notes Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Secured Debt Payment Default ceases to be continuing; and

- (b) the relevant Debtor then promptly pays to the Senior Notes Creditors an amount equal to any payments which had accrued under the Senior Notes Finance Documents and which would have been Permitted Senior Notes Payments but for that Senior Notes Payment Stop Notice or Secured Debt Payment Default,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Senior Notes Enforcement Notice (as defined below) which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Notes Creditors.

Restrictions on Enforcement by Senior Notes Finance Parties

Until the Secured Debt Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (a) none of the Senior Notes Trustee(s) (acting on behalf of themselves and the relevant Senior Noteholders) and the Security Agent (collectively, the “*Senior Notes Finance Parties*”) shall direct the Security Agent to enforce or otherwise (to the extent applicable), require the enforcement of, any Transaction Security Documents;
- (b) no Senior Notes Finance Party shall take or require the taking of any enforcement action in relation to the Senior Notes Guarantee Liabilities or Senior Notes Proceeds Loan Liabilities; and
- (c) the Senior Notes Issuer shall not take any enforcement action in relation to any Senior Notes Proceeds Loan Liabilities,

except as described under “—*Permitted Senior Notes and Senior Notes Security Documents Enforcement*” and under “—*Enforcement on behalf of the Senior Notes Finance Parties*” below.

Permitted Senior Notes and Senior Notes Security Documents Enforcement

Except as provided under “—*Enforcement on Behalf of Senior Notes Finance Parties*” below, the restrictions described under “—*Restrictions on Enforcement by Senior Notes Finance Parties*” above will not apply in respect of (i) the Senior Notes Guarantee Liabilities or (ii) the Shared Senior Notes Collateral, which guarantee and/or secure Senior Notes Liabilities as permitted by the Intercreditor Agreement, or the Senior Notes Proceeds Loan Liabilities, if:

- (a) an event of default (a “*Senior Notes Event of Default*”) under the Senior Notes is continuing (the “*Relevant Senior Notes Default*”);
- (b) the Revolving Agent, the Senior Secured Notes Trustee(s) and the Pari Passu Debt Representative(s) have received a written notice of the Relevant Senior Notes Default specifying the event or circumstance in relation to the Relevant Senior Notes Default from the relevant Senior Notes Trustee;
- (c) a Senior Notes Standstill Period (as defined below) has elapsed; and
- (d) the Relevant Senior Notes Default is continuing at the end of the relevant Senior Notes Standstill Period.

Promptly upon becoming aware of a Senior Notes Event of Default, the relevant Senior Notes Trustee(s) may by notice (a “*Senior Notes Enforcement Notice*”) in writing notify the Revolving Agent, each Senior Secured Notes Trustee and each Pari Passu Debt Representative of the existence of such Senior Notes Event of Default.

Senior Notes Standstill Period

In relation to a Relevant Senior Notes Default, a Senior Notes Standstill Period shall mean the period beginning on the date (the “*Senior Notes Standstill Start Date*”) the relevant Senior Notes Trustee(s) serves a Senior Notes Enforcement Notice on the Revolving Agent, each Senior Secured Notes Trustee and each Pari Passu Debt Representative in respect of such Relevant Senior Notes Default and ending on the earliest to occur of:

- (a) the first business day falling 179 days after the Senior Notes Standstill Start Date (the “*Senior Notes Standstill Period*”);

- (b) the date the Secured Creditors take any enforcement action in relation to a particular Debtor or member of the Group that is a guarantor of any Senior Notes or Senior Notes Liabilities (a “Senior Notes Guarantor”), *provided*, however, that:
 - (i) if a Senior Notes Standstill Period ends as described in this paragraph (b), the Senior Notes Finance Parties may only take the same enforcement action in relation to that Senior Notes Guarantor as the enforcement action taken by the Secured Creditors against such Senior Notes Guarantor and not against any other member of the Group (other than the Senior Notes Issuer); and
 - (ii) enforcement action for these purposes does not include action taken to preserve or protect any security as opposed to realize it;
- (c) the date of an insolvency event (other than as a result of any action taken by any Senior Notes Finance Party) in relation to a particular Senior Notes Guarantor (or, as applicable, the Senior Notes Issuer) against whom enforcement action is to be taken;
- (d) the expiry of any other Senior Notes Standstill Period outstanding at the date such first mentioned Senior Notes Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy);
- (e) the date on which Revolving Agent, each Senior Secured Notes Trustee and each Pari Passu Debt Representative give their consent to the termination of the relevant Senior Notes Standstill Period; and
- (f) a failure to pay the principal amount outstanding on the Senior Notes at the final stated maturity of the Senior Notes.

The Senior Notes Finance Parties may take enforcement action as described under “—*Permitted Senior Notes and Senior Notes Security Documents Enforcement*” above in relation to a Relevant Senior Notes Default even if, at the end of any relevant Senior Notes Standstill Period or at any later time, a further Senior Notes Standstill Period has begun as a result of any other Senior Notes Event of Default.

Enforcement on Behalf of Senior Notes Finance Parties

- (a) If the Security Agent has notified the Senior Notes Trustee(s) that it is taking steps to enforce security created pursuant to any Security Document over shares of a Senior Notes Guarantor, no Senior Notes Finance Party may take any action described under “—*Permitted Senior Notes and Senior Notes Security Documents Enforcement*” above against any Senior Notes Guarantor while the Security Agent (i) is in the process of obtaining instructions of an Instructing Group in relation to the enforcement of that security and the relevant instructions have not been given or (ii) is taking steps to enforce that security in accordance with the instructions of the Instructing Group where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.
- (b) If the Senior Notes Creditors are permitted to give instructions to the Security Agent to require the enforcement of the security constituted pursuant to any Security Document in accordance with the provisions of the Intercreditor Agreement described under this section, such enforcement action must require the realization of the relevant security by way of a sale or disposal conducted in compliance with the provisions of the Intercreditor Agreement described under “—*Conditions to Release—Senior Notes protection*” below.

Manner of Enforcement of Transaction Security

- (a) The Security Agent may refrain from enforcing the Transaction Security or taking any other enforcement action unless instructed otherwise by either the Revolving Creditors and Hedge Counterparties in respect of Priority Hedging (collectively, the “*Super Senior Creditors*”) together representing the requisite majority of at least 66.66% of the participations in the Super Senior Liabilities (the “*Majority Super Senior Creditors*”) or the Senior Secured Notes Creditors, Pari Passu Creditors and Hedge Counterparties in respect of Non Priority Hedging (collectively, the “*Senior Secured Creditors*”) and together with the Super Senior Creditors, the “*Secured Creditors*”) together representing the requisite majority of at least 50.1% of the participations in the Senior Secured Liabilities (the “*Majority Senior Secured Creditors*”) whichever at the relevant time is entitled to give instructions in accordance with the terms of the Intercreditor Agreement as described below (each an

“Instructing Group” provided that, if such enforcement is on or after the Secured Debt Discharge Date but before the Senior Notes Discharge Date, the Instructing Group shall for these purposes be the Majority Senior Notes Creditors).

- (b) Subject to the Transaction Security having become enforceable in accordance with its terms:
 - (i) subject to the enforcement decision requirements described below, an Instructing Group may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security as they see fit provided that the instructions as to enforcement given by the Instructing Group are consistent with the Security Enforcement Principles (as defined below); or
 - (ii) to the extent permitted to enforce or to require the enforcement of the Shared Senior Notes Collateral prior to the Senior Notes Discharge Date as described under “—*Permitted Senior Notes and Senior Notes Security Documents Enforcement*” above and except as provided below, the Senior Notes Trustee(s) (acting on the instruction of the Majority Senior Notes Creditors) may give instructions to the Security Agent as to the enforcement of the Shared Senior Notes Collateral as they see fit.
- (c) Prior to the Secured Debt Discharge Date:
 - (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or
 - (ii) in the absence of instructions from the Instructing Group,and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal (as defined below), the Security Agent shall give effect to any instructions to enforce the Shared Senior Notes Collateral which the Senior Notes Trustee(s) (acting on the instructions of the Majority Senior Notes Creditors) are then entitled to give to the Security Agent as described under “—*Permitted Senior Notes and Senior Notes Security Documents Enforcement*” above.
- (d) Notwithstanding the above, if at any time the Senior Notes Trustee(s) are then entitled to give the Security Agent instructions to enforce the Shared Senior Notes Collateral pursuant to paragraph (c) above and the Senior Notes Trustee(s) either gives such instruction or indicates any intention to give such instruction, then:
 - (i) the Instructing Group may give instructions to the Security Agent to enforce the Shared Senior Notes Collateral as the Instructing Group sees fit in lieu of any instructions to enforce given by the Senior Notes Trustee(s) as described under “—*Permitted Senior Notes and Senior Notes Security Documents Enforcement*” above; and
 - (ii) if the Instructing Group gives any instructions to enforce any Transaction Security over shares in a holding company of any member of the Group whose shares are subject to Transaction Security with respect to which any such enforcement instructions by a Senior Note(s) Trustee have been given, the Security Agent may not act on such enforcement instructions from any Senior Notes Trustee(s) unless instructed to do so by the Instructing Group.
- (e) No Secured Party shall have any independent power to enforce, or to have recourse to any Transaction Security or to exercise any rights or powers arising under the Transaction Security Documents except through the Security Agent.

If the Transaction Security is being enforced as described above, the Security Agent shall enforce the Transaction 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, in the circumstances described in paragraph (c) above and subject to paragraph (d) above, the Senior Notes Trustee(s)) shall instruct or, in the absence of any such instructions, as the Security Agent sees fit, in each case, so far as is consistent with the Security Enforcement Principles. For the avoidance of doubt, in the absence of instructions from the Instructing Group, the Security Agent will not be required to take any action.

Enforcement Decisions with respect to Enforcement of Transaction Security

- (a) Prior to the Final Discharge Date and subject to the provisions of the Intercreditor Agreement described under (c) and (d) below, before the giving of any instructions to the Security Agent to enforce the Transaction Security as described under “—*Manner of Enforcement of Transaction*

Security” above (and before either the Majority Super Senior Creditors or the Majority Senior Secured Creditors shall be considered the Instructing Group), a Revolving Agent or representative for each of the Senior Secured Creditors shall deliver a copy of its proposed enforcement instructions to the other representatives and the Security Agent (including instructions not to enforce) (the “*Proposed Enforcement Instructions*”). The Security Agent shall as soon as reasonably practicable notify each of the representatives of the Super Senior Creditors and the Senior Secured Creditors upon receipt of such Proposed Enforcement Instructions.

- (b) Prior to the Secured Debt Discharge Date and subject to paragraphs (c), (d) and (e) below, if the Security Agent has received any Proposed Enforcement Instruction, it shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions of the Majority Senior Secured Creditors (and the Majority Senior Secured Creditors shall be the Instructing Group for the purposes as described under “—*Manner of Enforcement of Transaction Security*” above and in each case, acting through their respective representative), provided that such instructions are consistent with the Security Enforcement Principles and failure to give instructions will be deemed to be an instruction not to take enforcement steps.
- (c) In the event that:
 - (i) from the date that is three months after the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) are delivered to the Security Agent, the Security Agent (acting on the instructions of the Majority Senior Secured Creditors) has not commenced the enforcement action or either (i) the method of enforcement of Transaction Security as determined by the Instructing Group or (ii) the appointment of a financial advisor by the Instructing Group to assist in such determination (“*Relevant Enforcement Action*”) of the Transaction Security; or
 - (ii) the Super Senior Liabilities have not been fully discharged in cash within six months of the date the first Proposed Enforcement Instructions (including such instructions not to take enforcement steps) were delivered to the Security Agent,

then (with effect from the date of the earlier to occur of such events), the Majority Super Senior Creditors shall become the Instructing Group for the purposes as described under “—*Manner of Enforcement of Transaction Security*” above.

- (d) If at any time the Security Agent has not taken any Relevant Enforcement Action of the Transaction Security notwithstanding the Transaction Security having become enforceable in accordance with its terms, a representative acting on behalf of the Majority Super Senior Creditors or the Majority Senior Secured Creditors, may at any time provide immediate instructions as to enforcement to the Security Agent notwithstanding any instructions given pursuant to paragraph (b) or (c) above, if the Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith (and notify the representatives of the other Super Senior Creditors and the Senior Secured Notes Creditors and the Pari Passu Creditors and the Security Agent) the delay in taking enforcement action of the Transaction Security could reasonably be expected to have a material adverse effect on:
 - (i) the Security Agent’s ability to enforce the Transaction Security; or
 - (ii) the realization proceeds of any enforcement of the Transaction Security,

and the Security Agent shall act only with respect to the relevant asset or Debtor that is the subject of the determination set out in paragraphs (d)(i) or (d)(ii) above, in accordance with the first such notice of determination and instructions as to enforcement received by the Security Agent (provided in each case that such instructions are consistent with the Security Enforcement Principles).

- (e) If at any time an insolvency event has occurred with respect to any Debtor or the Parent (other than an insolvency event which is the direct result of any action taken by the Security Agent acting on the instructions of the Majority Super Senior Creditors or the Majority Senior Secured Creditors), the Security Agent shall act, to the extent the Majority Super Senior Creditors have provided such instructions, in accordance with the instructions received from such Majority Super Senior Creditors, provided that in the event the Security Agent has previously received Proposed Enforcement Instructions from the representative for the Majority Senior Secured Creditors and has commenced Relevant Enforcement Action pursuant to such instructions, the Security Agent shall continue to act in accordance with the instructions of the representative for the Majority Senior Secured Creditors until such time as the representatives for Majority Super Senior Creditors issue enforcement

instructions to the Security Agent and such instructions shall override and supersede any such prior instructions given by the representative for the Majority Senior Secured Creditors.

- (f) Other than where paragraph (d) or (e) above applies, if, prior to the Super Senior Discharge Date, the Majority Super Senior Creditors or the Majority Senior Secured Creditors (in each case acting reasonably) consider that the Security Agent is enforcing the security in a manner which is not consistent with the Security Enforcement Principles, the representatives for the Super Senior Creditors, the Pari Passu Debt Representatives or the Senior Secured Notes Trustee shall give notice to the representatives for the other Super Senior Creditors, and the Pari Passu Debt Representatives and the Senior Secured Notes Trustee (as appropriate) after which the representatives for the other Super Senior Creditors, the Pari Passu Debt Representatives and the Senior Secured Notes Trustee shall consult with the Security Agent for a period of 15 days (or such lesser period as the relevant representatives may agree) with a view to agreeing the manner of enforcement provided that such representatives shall not be obliged to consult under this paragraph (f) more than once in relation to each enforcement action.
- (g) After the Super Senior Discharge Date, the Security Agent shall either enforce or refrain from enforcing the Transaction Security in accordance with the instructions provided by the Majority Senior Secured Creditors.

Limitation on Enforcement of Subordinated Liabilities

Creditors in respect of the Subordinated Liabilities will not be permitted to take any enforcement action in respect of such liabilities prior to the Final Discharge Date (other than certain specific enforcement action relating to payment of the Subordinated Liabilities which at the time of such enforcement action would be permitted as described under “—*Permitted Payments*” above unless, at such time, the Primary Creditors are or the Security Agent is taking any enforcement action required by the Instructing Group or following an Acceleration Event) save that, after the occurrence of an insolvency event in relation to a member of the Group, the Subordinated Creditors may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of such Subordinated Creditors in accordance with the terms of the Intercreditor Agreement), exercise any right it may otherwise have against that member of the Group to:

- (a) accelerate any of that entity’s Subordinated Liabilities or declare them prematurely due and payable or payable on demand;
- (b) make a demand under any guarantee, indemnity or other assurance against loss given by that entity in respect of any Subordinated Liabilities;
- (c) exercise any right of set-off or take or receive any payment in respect of any Subordinated Liabilities of that entity; or
- (d) claim and prove in the liquidation of that entity for the Subordinated Liabilities owing to it.

Limitation on Enforcement of Intra-Group Liabilities

The Intra-Group Lenders will not be permitted to take any enforcement action in respect of the Intra-Group Liabilities at any time prior to the Final Discharge Date (other than certain specific enforcement action relating to payment of the Intra-Group Liabilities which at the time of such enforcement action would be permitted as described under “—*Permitted Payments*” above) unless, at such time, an Instructing Group is taking enforcement action or following an Acceleration Event, save that, after the occurrence of an insolvency event in relation to any member of the Group, each Intra-Group Lender may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra-Group Lender in accordance with the Intercreditor Agreement) exercise any right it may otherwise have against that member of the Group to:

- (a) accelerate any of that member of the Group’s Intra-Group Liabilities or declare them prematurely due and payable or payable on demand;
- (b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Intra-Group Liabilities;
- (c) exercise any right of set-off or take or receive any payment in respect of any Intra-Group Liabilities of that member of the Group; or

- (d) claim and prove in the liquidation of that member of the Group for the Intra-Group Liabilities owing to it.

Security Enforcement Principles

The Intercreditor Agreement shall provide for enforcement instructions in relation to the Transaction Security to be consistent with the following security enforcement principles (the “*Security Enforcement Principles*”):

- (a) it shall be the primary and overriding aim of any enforcement of the Transaction Security to achieve the objective of maximizing the recovery of the Secured Parties, to the extent consistent with (i) a prompt and expeditious enforcement of the Transaction Security (to the extent reasonably possible) and (ii) the rights and obligations of the Security Agent under the terms of the Intercreditor Agreement and under applicable law (the “*Security Enforcement Objective*”);
- (b) the Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors, the Majority Senior Secured Creditors, the Senior Secured Noteholders, the holders of each tranche of Pari Passu Debt and the Security Agent;
- (c) the Transaction Security will be enforced and other action as to enforcement will be taken such that either:
 - (i) all proceeds of enforcement are received by the Security Agent in cash for distribution in accordance with the payment waterfall described in “—*Application of Proceeds*” below; or
 - (ii) (except in the case of any enforcement which is instructed by the Majority Super Senior Creditors) sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the payment waterfall described in “—*Application of Proceeds*” below, the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise);
- (d) the enforcement action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to enforcement will be determined by the Instructing Group *provided* that it is consistent with the Security Enforcement Objective;
- (e) on (i) a proposed enforcement of any of the Transaction Security over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds €5 million (or its equivalent in other currencies) or (ii) a proposed enforcement of any of the Transaction Security over some or all of the shares in a member of the Group over which Transaction Security exists, the Security Agent shall if requested by the Majority Super Senior Creditors or the Majority Senior Secured Creditors, and at the expense of the Company, (to the extent that financial advisers have not adopted a general policy of not providing such opinions) appoint a financial adviser to opine:
 - (i) that the consideration received for any disposal is fair from a financial point of view taking into account all relevant circumstances;
 - (ii) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Principles and maximize the recovery of any such enforcement action; and
 - (iii) that such sale is otherwise in accordance with the Security Enforcement Objective,(the “*Financial Adviser’s Opinion*”) *provided* that, if the Security Agent is unable to obtain an opinion from a financial adviser covering the matters set out under (ii) and (iii) above (and after considering making such modifications to the enforcement process as may be reasonably available and consistent with the Security Enforcement Principles to obtain such opinion), then an opinion covering paragraph (i) above shall be sufficient to constitute a Financial Adviser’s Opinion for the purposes of the Security Enforcement Principles;
- (f) the Security Agent shall be under no obligation to appoint a financial adviser or to seek the advice of a financial adviser, unless expressly required to do so by these Security Enforcement Principles or any other provision of the Intercreditor Agreement. Prior to making any appointment of a financial adviser, the Security Agent is entitled to ensure that cost cover (at a level it is satisfied with acting reasonably) has been provided;

- (g) the Financial Adviser's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met;
- (h) in the absence of written notice from a creditor or group of creditors that are not part of the relevant Instructing Group that such creditor(s) object to any enforcement of the Transaction Security on the grounds that such enforcement action does not aim to achieve the Security Enforcement Objective, the Security Agent is entitled to assume that such enforcement of the Transaction Security is in accordance with the Security Enforcement Objective;
- (i) if the Security Agent is unable to obtain a Financial Adviser's Opinion after attempting to do so (and after considering making such modifications to the enforcement process as may be reasonably available and consistent with the Security Enforcement Principles to obtain such opinion) because such opinions are not generally available in the market in such circumstances it shall notify the Revolving Agent and each representative in respect of the Senior Secured Notes Liabilities or Pari Passu Debt and may proceed to enforce the Transaction Security without needing to demonstrate (by way of a Financial Adviser's Opinion or otherwise) that such enforcement is aiming to achieve the Security Enforcement Objective; and
- (j) if enforcement of any Transaction Security is conducted by way of a public auction or other competitive sales process specified in the Intercreditor Agreement, no financial adviser shall be required to be appointed, and no Financial Adviser's Opinion shall be required, in relation to such enforcement *provided* that the Security Agent shall be entitled (but not obliged) to appoint a financial adviser to provide such advice as the Security Agent deems appropriate in relation to such enforcement by way of public auction or other competitive sale process in accordance with the Intercreditor Agreement.

Exercise of Voting Rights

After the occurrence of an insolvency event in respect of any member of the Group, prior to the Final Discharge Date, each Intra-Group Lender and each Subordinated Creditor (collectively, the "*Subordinated Parties*") irrevocably authorizes the Security Agent to exercise, to the extent permitted by law, all powers of convening meetings, voting and representation in relation to that member of the Group in respect of the Intra-Group Liabilities and the Subordinated Liabilities and each relevant Subordinated Party will provide all forms of proxy and representation requested by the Security Agent for such purpose.

Turnover

The Intercreditor Agreement provides that if at any time prior to the Final Discharge Date, subject to certain exceptions, any Primary Creditor or Subordinated Party (each a "*Creditor*") receives or recovers (in the case of a Super Senior Creditor or Senior Secured Creditor only in respect of the fourth paragraph below):

- any payment or distribution of, or on account of or in relation to, any liability owed by a member of the Group under the Debt Documents which is not a permitted payment under the Intercreditor Agreement as described under "*—Permitted Payments*" above or made in accordance with the order of priority described under "*—Application of Proceeds*" below;
- (except with respect to certain discharges by way of set-off occurring after an insolvency event in relation to a member of the Group following which a Subordinated Party benefitting from such set-off is required to pay to the Security Agent an amount equal to the amount set off for application of such amount in accordance with the order of priority described under "*—Application of Proceeds*" below), any amount by way of set-off in respect of any liability owed by a member of the Group under the Debt Documents which does not give effect to a permitted payment under the Intercreditor Agreement as described under "*—Permitted Payments*" above;
- (notwithstanding the immediately preceding two paragraphs and except with respect to certain discharges by way of set-off described in the immediately preceding paragraph), (i) on account of or in relation to any liability owed by a member of the Group under the Debt Documents after the occurrence of an Acceleration Event which is continuing (x) if prior to the Secured Debt Discharge Date, any of the agent under the Revolving Credit Facility (acting on the instructions of the Majority Revolving Lenders), a Senior Secured Notes Trustee (acting on behalf of the Senior Secured

Noteholders) or a Pari Passu Debt Representative (acting on the instructions of the Pari Passu Debt Required Holders) declaring by written notice to the Security Agent, each other creditor representative and the Company that a “*Distress Event*” has occurred or (y) if on or after the Secured Debt Discharge Date, any of a Senior Notes Trustee (acting on behalf of the Senior Noteholders) declaring by written notice to the Security Agent, each other creditor representative and the Company that a “*Distress Event*” has occurred (each, a “*Distress Event*”) or as a result of litigation or other proceedings against a Debtor (other than after the occurrence of an insolvency event in respect of such Debtor), or (ii) by way of set-off in respect of any liability of a member of the Group under the Debt Documents after the occurrence of a Distress Event;

- the proceeds of any enforcement of any Transaction Security and the proceeds of any Distressed Disposal, in each case except in accordance with the order of priority described under “—*Application of Proceeds*” below; or
- (except with respect to certain discharges by way of set-off described in the second paragraph of this section) any distribution in cash or in kind or payment of, or on account of or in relation to, any liability owed by a member of the Group under the Debt Documents which is not in accordance with the order of priority described in “—*Application of Proceeds*” below and which is made as a result of, or after, the occurrence of an insolvency event in respect of such Debtor,

then that Creditor:

- in relation to receipts or recoveries not received or recovered by way of set-off, must hold that amount on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set off, must promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Deferral of Subrogation Rights

Subject to the third paragraph of this section, if any liabilities owed by a member of the Group under the Debt Documents to the Secured Creditors (“*Secured Creditor Liabilities*”) are wholly or partly paid out of any proceeds received in respect of or on account of the Senior Notes Liabilities owing to one or more Senior Notes Creditors, those Senior Notes Creditors will to that extent be subrogated to the Secured Creditor Liabilities so paid (and all securities and guarantees for those Secured Creditor Liabilities).

Subject to the third paragraph of this section, to the extent that a Senior Notes Creditor (a “*Subrogated Creditor*”) is entitled to exercise rights of subrogation, each other Creditor (subject in each case to it being indemnified, secured and/or prefunded to its satisfaction against any resulting costs, expenses and liabilities) will give such assistance to enable such rights so to be exercised as such Subrogated Creditor may reasonably request.

No Creditor, Subordinated Party or Debtor will exercise any rights which it may have by reason of the performance by it of its obligations under the Debt Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Debt Documents of any Creditor which ranks ahead of it in accordance with the priorities set out in the Intercreditor Agreement as described above under “—*Ranking and Priority*”) until such time as all of the liabilities owing by a member of the Group under the Debt Documents to each prior ranking Creditor (or, in the case of any Debtor prior to the Final Discharge Date, owing to each Creditor) have been irrevocably paid in full.

No Subordinated Creditor will exercise any rights which it may have to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Debt Documents of any Creditor until such time as all of the liabilities owing by a member of the Group under the Debt Documents to each Creditor (other than a Subordinated Creditor) have been irrevocably paid in full.

Application of Proceeds

Subject to certain exceptions as set out therein, the Intercreditor Agreement will provide that all amounts from time to time received or recovered by the Security Agent (acting on the instructions of an Instructing Group) in connection with the realization or enforcement of all or any part of the Transaction Security or a transaction in lieu of enforcement of Transaction Security and all amounts received by the Security Agent from another Creditor pursuant to the turnover provisions described under “—*Turnover*” above will be

held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of the Intercreditor Agreement) in the following order of priority:

- first, in payment or distribution to:
 - (a) the Security Agent, any receiver or any delegate for application towards the discharge of any sums owing to any of them from any party to the Intercreditor Agreement; and then
 - (b) each Revolving Agent on its own behalf for application towards the discharge of the Revolving Agent liabilities (in accordance with the terms of the Revolving Facility Documents);
 - (c) each Senior Secured Notes Trustee on its own behalf for application towards the discharge of the Senior Secured Notes Trustee Amounts (in accordance with the Senior Secured Notes Finance Documents);
 - (d) each Pari Passu Debt Representative on its own behalf for application towards the discharge of Pari Passu Debt Representative Amounts (in accordance with the Pari Passu Debt Documents); and
 - (e) each Senior Notes Trustee on its own behalf for application towards the discharge of the Senior Notes Trustee Amounts (in accordance with the Senior Notes Finance Documents),on a pro rata basis and ranking *pari passu* between (a), (b), (c), (d) and (e), and in the case of (b), (c), (d) and (e) above, including any such amounts arising in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement;
- second, in payment or distribution to the Secured Parties of all costs and expenses incurred by any of them in connection with any realization or enforcement of the Transaction Security, in each case taken in accordance with the terms of the Intercreditor Agreement;
- third, in payment or distribution to:
 - (a) each Revolving Agent on behalf of the arrangers under the Revolving Credit Facility (the “Arrangers”) and the Revolving Lenders; and
 - (b) the Hedge Counterparties,for application towards:
 - (i) the liabilities to the Arrangers and the Revolving Creditor Liabilities (in accordance with the terms of the Revolving Facility Documents); and
 - (ii) the Priority Hedging Liabilities;on a pro rata basis and *pari passu* between paragraphs (i) and (ii) above;
- fourth, in payment or distribution to:
 - (i) each Senior Secured Notes Trustee on behalf of the Senior Secured Noteholders or, if there is no Senior Secured Notes Trustee acting on behalf of any relevant Senior Secured Noteholders, such Senior Secured Noteholders;
 - (ii) each Pari Passu Debt Representative on behalf of Pari Passu Creditors or, if there is no Pari Passu Debt Representative acting on behalf of any relevant Pari Passu Creditors, such Pari Passu Creditors; and
 - (iii) the Hedge Counterparties;for application towards:
 - (A) the Senior Secured Notes Liabilities owed to the Senior Secured Noteholders (in accordance with the terms of the Senior Secured Notes Finance Documents);
 - (B) the Pari Passu Debt Liabilities owed to the Pari Passu Creditors (in accordance with the terms of the Pari Passu Debt Documents); and
 - (C) the Non-Priority Hedging Liabilities,on a pro rata basis and *pari passu* between paragraphs (A) to (C) above.

- fifth, to the extent paid out of enforcement proceeds resulting from the enforcement of Shared Senior Notes Collateral or the Senior Notes Guarantees in relation with assets which were previously subject to the Shared Senior Notes Collateral, in payment or distribution to each Senior Notes Trustee on behalf of the Senior Noteholders or, if there is no Senior Notes Trustee acting on behalf of any relevant Senior Noteholders, such Senior Noteholders for application towards the discharge of the Senior Notes Liabilities owed to the Senior Noteholders.

Release of the Guarantees and the Security

Distressed Disposals

The Intercreditor Agreement provides that in relation to the disposal of an asset of a member of the Group (or, to the extent subject to Transaction Security, the Parent) which is being effected: at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable; by enforcement, or simultaneous with the enforcement, of the Transaction Security; or after the occurrence of a Distress Event by or on behalf of a Debtor to a person outside of the Group (a “*Distressed Disposal*”), the Security Agent is authorized to (i) release the Transaction Security or any other claim over the relevant asset; (ii) if the relevant asset consists of shares in the capital of a Debtor to release that Debtor and any of its subsidiaries from all or any part of its liabilities in its capacity as a guarantor or a borrower (and certain other liabilities) under the Revolving Credit Facility, the Senior Secured Notes, the Pari Passu Debt and the Senior Notes and the other Debt Documents and to release any Transaction Security granted by that Debtor or any of its subsidiaries over any of its assets and to release any other claim of the Subordinated Creditor, an Intra-Group Lender or another Debtor or other grantor of Transaction Security over that Debtor’s assets or over the assets of any of its subsidiaries; (iii) if the relevant asset consists of shares in the capital of a holding company of a Debtor, to release that holding company and any of its subsidiaries from all or any part of their liabilities in their capacity as a guarantor or a borrower (and certain other liabilities) under the Revolving Credit Facility, the Senior Secured Notes, the Pari Passu Debt, the Senior Notes and the other Debt Documents, and to release any Transaction Security granted by that holding company or any of its subsidiaries over any of its assets and to release any other claims of the Subordinated Creditor, an Intra-Group Lender or another Debtor over the assets of that holding company or any of its subsidiaries; (iv) if the relevant asset consists of shares in the capital of a Debtor or holding company of a Debtor and the Security Agent decides to dispose to another entity all or any part of the liabilities of that first Debtor or holding company or any subsidiaries of that first Debtor or holding company, then the Security Agent shall enter into any relevant documentation provided that, if it is intended that the transferee should not be a Primary Creditor or Secured Party, the transferee shall not be treated as a Primary Creditor or Secured Party, and if it is intended that the transferee should be a Primary Creditor or Secured Party, then all (and not part) of the liabilities owed to Primary Creditors, and all or part of any other liabilities should be disposed; and (v) if the relevant asset consists of shares in the capital of a Debtor or holding company of a Debtor and the Security Agent decides to transfer to another Debtor all or any part of the first Debtor’s obligations or any obligations of any subsidiary of that first Debtor in respect of liabilities owed to a Debtor, Intra-Group Liabilities or Subordinated Liabilities, transfer all or part of such obligations on behalf of the person to which they are owed and accept the transfer of those obligations on behalf of the transferee Debtor.

The Security Agent must take reasonable care to obtain a fair market price in the prevailing market conditions and apply the proceeds of such disposal in accordance with “—*Application of Proceeds*” above.

Non-Distressed Disposals

In addition, if (a) a disposal relates to an asset of a Debtor (or an asset which is subject to Transaction Security), (b) that disposal is not prohibited by or permitted under respectively (prior to the Revolving Facility Discharge Date) the Revolving Facility Documents, (prior to the Senior Secured Notes Discharge Date) the Senior Secured Notes Finance Documents or the Senior Secured Notes Trustee authorizes that release, (prior to the Pari Passu Debt Discharge Date) the Pari Passu Debt Documents, and (prior to the Senior Notes Discharge Date) the Senior Notes Finance Documents or the Senior Notes Trustee authorizes that release and (c) that disposal is not a Distressed Disposal, the Security Agent is irrevocably authorized and obliged, at the cost of the relevant Debtor or the Company and without any consent, sanction, authority or further confirmation from any other party to the Intercreditor Agreement, (i) to release (or procure that any other relevant person releases) the Transaction Security or any other claim (relating to a Debt Document) over that asset, (ii) where that asset consists of shares in the capital of a Debtor, to release the Transaction Security or any other claim (relating to a Debt Document) over that

Debtor's assets, and, to the extent that they are at such time being disposed of, the assets of any subsidiary of that Debtor and, to the extent that they are at such time being disposed of, the subsidiaries of that Debtor and their respective assets, and (iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in (i) and (ii) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that the Security Agent (acting reasonably) considers to be necessary or desirable.

Notwithstanding anything to the contrary in any Debt Document, nothing in any Security Document shall operate or be construed so as to prevent any transaction, matter or other step not prohibited by the terms of the Intercreditor Agreement or any Debt Financing Agreement (a "*Permitted Transaction*"). The Security Agent (on behalf of itself and the Secured Parties) will (and is irrevocably authorized and instructed to do so without any consent, sanction, authority or further confirmation from any party to the Intercreditor Agreement and at the request and cost of the relevant Debtor or the Company) promptly execute any release or other document and/or take such other action under or in relation to any Debt Document (or any asset subject or expressed to be subject to any Security Document) as is requested by the Company in order to complete, implement or facilitate a Permitted Transaction.

Conditions to Release—Senior Notes Protection

If before the Senior Notes Discharge Date a Distressed Disposal is being effected such that the Senior Notes Guarantees, the Senior Notes Proceeds Loan Liabilities or Shared Senior Notes Collateral will be released as described under "*—Distressed Disposals*" above, it is a further condition to any such release or disposal that either (1) the relevant Senior Notes Trustee has approved the release and/or the disposal or (2) where such shares or assets are sold or disposed of:

- (i) the proceeds of such sale or disposal are in cash (or substantially in cash);
- (ii) all claims of the Primary Creditors against any member of the Group and any subsidiary of that member of the Group whose shares that are owned by a Debtor are pledged in favour of the Primary Creditors are sold or disposed of pursuant to such Distressed Disposal are unconditionally released and discharged concurrently with such sale (or are sold to the purchaser or one of its affiliates for a nominal amount), 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 in the event of a sale or disposal of any such claim (instead of a release or discharge):
 - (A) the Instructing Group determines acting reasonably and in good faith that the Secured Creditors (taken as a whole) will recover more than if such claim was released or discharged; and
 - (B) the representative(s) in respect of the Instructing Group serve a notice on the Security Agent notifying the Security Agent of the same, in which case the Security Agent shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and
- (iii) such sale or disposal is made:
 - (A) pursuant to a public auction or other competitive sale process specified in the Intercreditor Agreement; or
 - (B) where a financial adviser confirms that the sale, disposal or transfer price is fair from a financial point of view after taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price.

Amendment

Subject to certain exceptions and usual disenfranchisement provisions, the Intercreditor Agreement provides that it may only be amended with the consent of the Company, the Majority Revolving Lenders, the requisite majority of Pari Passu Creditors, each Senior Secured Notes Trustee, each Senior Notes Trustee and the Security Agent unless (i) such amendments are made to cure defects or omissions, resolve ambiguities or inconsistencies or reflect changes of a minor, technical or administrative nature or as otherwise prescribed by the relevant Debt Documents, which amendments may be made by the Company and the Security Agent or (ii) such amendments are made to meet the requirements of any person proposing to act as a creditor representative which are customary for persons acting in such capacity and would not have a material adverse effect on the other parties to the Intercreditor Agreement, which

amendments may be made by the Company and the Security Agent. No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party to the Intercreditor Agreement without their prior consent other than, in the case of a Primary Creditor, in a way which affects or would affect Primary Creditors of that party's class generally or, in the case of a Debtor, to the extent consented to by the Company.

An amendment or waiver to the Intercreditor Agreement that relates to, inter alia, certain of the matters described under “—*Manner of Enforcement of Transaction Security*” and “—*Security Enforcement Principles*” and to the Security Enforcement Principles may be made by the Majority Super Senior Creditors and the Majority Senior Secured Creditors acting through the relevant representative.

The Security Agent may amend the terms of, waive any of the requirements of, or grant consents under, any of the Transaction Security Documents acting on the instructions of each representative of creditors that are secured by the relevant Transaction Security Documents, with the consent of the Company, unless provided otherwise under the relevant documents.

Option to Purchase: Senior Secured Notes Creditors and Pari Passu Creditors

After a Distress Event, by giving not less than 10 days' prior written notice to the Security Agent, the Senior Secured Noteholders and Pari Passu Creditors will have the right to acquire or procure that a nominee (or nominees) acquires by way of transfer all (but not part only) of the rights, benefits and obligations in respect of Revolving Creditor Liabilities and the Hedging Liabilities constituting Priority Hedging.

Any such purchase will be on terms which will include, without limitation, payment in full of an amount equal to all (but not part) of the Revolving Creditor Liabilities and Hedging Liabilities constituting Priority Hedging then outstanding, including certain costs and expenses of the Revolving Creditors and Hedge Counterparties; after the transfer, no Revolving Creditor or Hedge Counterparty will be under any actual or contingent liability to any Debtor or any other person under the relevant Debt Documents; the acquiring entities indemnify each Revolving Creditor and Hedge Counterparty for any actual or alleged obligation to repay or claw back any amount received by such Revolving Creditor or Hedge Counterparty; the relevant transfer shall be without recourse to, or warranty from, any Revolving Creditor or Hedge Counterparty, save for certain representations relating to corporate power and authority to effect the transfer as set out in the Intercreditor Agreement; and the Senior Notes Creditors have not exercised their rights described below in “—*Option to Purchase: Senior Notes Creditors*,” or, having exercised such rights, have failed to complete the acquisition of the relevant Senior Secured Liabilities and Super Senior Liabilities as described below in “—*Option to Purchase: Senior Notes Creditors*.”

Option to Purchase: Senior Notes Creditors

After a Distress Event, by giving not less than 10 days' prior written notice to the Security Agent, the Senior Notes Creditors will have the right to acquire or procure that a nominee (or nominees) acquires by way of transfer all (but not part only) of the rights, benefits and obligations in respect of Revolving Creditor Liabilities, the Hedging Liabilities, the Senior Secured Notes Liabilities and the Pari Passu Debt Liabilities.

Any such purchase will be on terms which will include, without limitation, payment in full of an amount equal to all (but not part) of the relevant liabilities then outstanding, including certain costs and expenses of the Revolving Creditors, Hedge Counterparties, Senior Secured Noteholders and Pari Passu Creditors; after the transfer, no Revolving Creditor, Hedge Counterparty, Senior Secured Noteholder or Pari Passu Creditor will be under any actual or contingent liability to any Debtor or any other person under the relevant Debt Documents; the acquiring entities indemnify each relevant transferring Creditor for any actual or alleged obligation to repay or claw back any amount received by such transferring Creditor; and the relevant transfer shall be without recourse to, or warranty from, any transferring Creditor, save for certain representations relating to corporate power and authority to effect the transfer as set out in the Intercreditor Agreement.

Other Provisions

The Intercreditor Agreement also includes provisions relating to:

- redistribution of amounts;

- protection and appointment provisions relating to the Trustees and agents;
- guarantees in respect of hedging agreements;
- accession and resignation of parties; and
- parallel debt claims.

Termination

The Intercreditor Agreement shall terminate on the date the Security Agent is reasonably satisfied that (i) all liabilities owed by a member of the Group under the Debt Documents (other than the Subordinated Liabilities) have been discharged in full in cash or (ii) there are no cash proceeds or recoveries whatsoever which may be turned over to it and applied by it in accordance with the provisions of the Intercreditor Agreement.

Governing Law

The Intercreditor Agreement is governed by English law.

Senior PIK Notes

Concurrently with the offering of the Notes, the Parent will issue €85.0 million aggregate principal amount of Senior PIK Notes due 2020 (the “*Senior PIK Notes*”). The PIK Notes will be senior unsecured obligations of the Parent. The proceeds from the sale and issuance of the PIK Notes will be used to refinance the Parent’s existing Senior PIK credit facility. Affiliates of Lion may acquire certain of the PIK Notes.

For each interest period the Parent may elect to pay interest in cash, PIK through the issuance of additional Senior PIK Notes or a combination of both.

Prior to a specified date, the Parent will be entitled to redeem all or a portion of the Senior PIK Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus the applicable “make whole” premium. On or after such specified date the Parent will be entitled at its option to redeem all or a portion of the PIK Notes at certain redemption prices, plus accrued and unpaid interest and additional amounts, if any. Prior to such specified date, the Parent will be entitled at its option, or one or more occasions, to redeem the Senior PIK Notes in an aggregate principal amount not to exceed 40% of the original aggregate principal amount of the Senior PIK Notes (including the principal amount of additional Senior PIK Notes issued to pay interest thereon) with the net cash proceeds from certain equity offerings at a certain redemption price of the principal amount outstanding in respect of the PIK Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, provided that at least 60% of the original aggregate principal amount of the Senior PIK Notes (including additional Senior PIK Notes) remains outstanding immediately after each such redemption.

The covenants and events of default in the indenture for the Senior PIK Notes will be similar to the covenants and events of default for the Senior Notes, with additional restrictions on further third party financial debt being incurred by the Parent and on the Parent making dividends or similar distributions to its shareholders. The indenture will be governed by New York law.

DESCRIPTION OF THE SENIOR SECURED NOTES

You will find definitions of certain capitalized terms used in this “Description of the Senior Secured Notes” under the heading “—Certain definitions.” For purposes of this “Description of the Senior Secured Notes,” (i) references to the “Company” refer only HEMA B.V. and not to any of its subsidiaries, (ii) references to the “Senior Secured Notes Issuer” refer only HEMA Bondco I B.V., (iii) references to the “Senior Notes Issuer” refer only HEMA Bondco II B.V., and (iv) references to “we,” “our,” “us” or “Group” refer to the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and the Company’s Restricted Subsidiaries.

HEMA Bondco I B.V. (the “*Senior Secured Notes Issuer*”) will issue €565 million aggregate principal amount of senior secured notes, consisting of €315 million in aggregate principal amount of 6.25% senior secured fixed rate notes due 2019 (the “*Fixed Rate Notes*”) and €250 million in 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*”) under an indenture to be dated June 17, 2014 (the “*Senior Secured Notes Indenture*”), among, *inter alios*, itself, the Company, the Senior Notes Issuer, certain subsidiaries of the Company that Guarantee the Senior Secured Notes (the “*Senior Secured Notes Guarantors*”), certain Security Providers, Citibank, N.A., London Branch, as trustee (the “*Senior Secured Notes Trustee*”) and The Royal Bank of Scotland plc, as security agent (the “*Security Agent*”), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended.

The Senior Secured Notes Indenture will be unlimited in aggregate principal amount, of which €565 million in aggregate principal amount of Senior Secured Notes will be issued in this offering. We may issue an unlimited aggregate principal amount of additional Senior Secured Notes (the “*Additional Senior Secured Notes*”) subject to the provisions of the Senior Secured Notes Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under “*Certain Covenants—Limitation on Indebtedness*”) and the Incurrence of Liens (as described below under “*Certain Covenants—Limitation on Liens*”) and the provisions described below under “—*Additional Senior Secured Notes.*” Unless the context otherwise requires, in this “*Description of the Senior Secured Notes,*” references to the “*Senior Secured Notes*” include the Senior Secured Notes and any Additional Senior Secured Notes that are actually issued. The terms of the Senior Secured Notes include those set forth in the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will not be qualified under or incorporate or include any of the provisions of, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

Where the Senior Secured Notes Indenture refers to (a) the delivery of an Officer’s Certificate, or equivalent, of the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, as the case may be, may, at its election, satisfy such delivery requirement by the delivery of a certificate, or equivalent, of an Officer of any of the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer and (b) except as provided under “—*Certain Covenants—Limitation on Affiliate Transactions,*” the determination of any of (x) the Company or an Officer or the Board of Directors thereof, (y) the Senior Secured Notes Issuer or an Officer or the Board of Directors thereof or (z) the Senior Notes Issuer or an Officer or the Board of Directors thereof, may be made by, in each case, any of the Company or an Officer or the Board of Directors thereof, the Senior Secured Notes Issuer or an Officer or the Board of Directors thereof or the Senior Notes Issuer or an Officer or the Board of Directors thereof (in each case, as applicable), at the Senior Secured Notes Issuer’s election.

This “*Description of the Senior Secured Notes*” is intended to be an overview of the material provisions of the Senior Secured Notes, the Senior Secured Notes Proceeds Loan and the Senior Secured Notes Indenture. Since the following description is only a summary, you should refer to the Senior Secured Notes Indenture, the form of Senior Secured Notes and the Intercreditor Agreement for complete descriptions of the obligations of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors and your rights because they, and not this summary, define your rights as Holders of the Senior Secured Notes. Copies of the Senior Secured Notes Indenture, the form of Senior Secured Notes and the Intercreditor Agreement are available as set forth under “*Listing and General Information.*”

The registered Holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Secured Notes Indenture.

General

The Senior Secured Notes

The Senior Secured Notes will, upon issuance:

- be general senior obligations of the Senior Secured Notes Issuer;
- be guaranteed on a senior basis by the Senior Secured Notes Guarantors, subject to the limitations described in “*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests*;”
- be secured as set forth below under “—*Security*” along with obligations under the Revolving Credit Facility and certain Hedging Obligations; however, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Revolving Credit Facility and certain Hedging Obligations, have been repaid in full;
- rank senior in right of payment to any existing and future Indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Senior Secured Notes;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Senior Secured Notes Issuer that is not subordinated in right of payment to the Senior Secured Notes;
- be effectively subordinated to any existing and future Indebtedness of the Senior Secured Notes Issuer that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing and future Indebtedness of Subsidiaries of the Company that are not Senior Secured Notes Guarantors, including obligations owed to trade creditors and, to the extent drawings are borrowed by such Subsidiaries, obligations under the Revolving Credit Facility.

The Senior Secured Notes Guarantees

On the Issue Date, the Senior Secured Notes will be Guaranteed by the Company, the Senior Notes Issuer and the other Senior Secured Notes Guarantors.

Each Senior Secured Notes Guarantee of the Senior Secured Notes will, upon issuance:

- be a general senior obligation of the relevant Senior Secured Notes Guarantor;
- be secured as set forth below under “—*Security*” along with obligations under the Revolving Credit Facility and certain Hedging Obligations; however, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Revolving Credit Facility and certain Hedging Obligations, have been repaid in full;
- rank senior in right of payment to any existing and future Indebtedness of such Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such Senior Secured Notes Guarantor’s Senior Secured Notes Guarantee, including obligations of that Guarantor, to the extent of the value of the Collateral that is available;
- rank *pari passu* in right of payment with any existing and future Indebtedness of such Senior Secured Notes Guarantor that is not subordinated in right of payment to such Senior Secured Notes Guarantor’s Senior Secured Notes Guarantee, including obligations under the Revolving Credit Facility and certain Hedging Obligations and, with respect to the Senior Secured Notes Guarantee of the Senior Notes Issuer, the Senior Notes;
- be effectively subordinated to any existing and future Indebtedness of such Senior Secured Notes Guarantor that is secured by property or assets that do not secure such Senior Secured Notes Guarantor’s Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing and future Indebtedness of Subsidiaries of such Senior Secured Notes Guarantor that are not Senior Secured Notes Guarantors.

The obligations of the Senior Secured Notes Guarantors will be contractually limited under the Senior Secured Notes Guarantees to reflect limitations under applicable law. See “*Risk Factors—Risks Related to*

Our Structure—The Notes and the Notes Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforcement” and “Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests.” In certain cases, these limitations may apply to the Senior Secured Notes Guarantees, but not the Senior Secured Notes Guarantors’ obligations under other debt, including the Revolving Credit Facility. As of and for the fiscal year ended February 2, 2014, the Company and the Senior Secured Notes Guarantors accounted for 98% of the consolidated total assets, 95% of the net sales and 96% of the EBITDA of the Company and its Subsidiaries (excluding intercompany eliminations on consolidation).

Pursuant to the Intercreditor Agreement, after an acceleration event in respect of the Senior Secured Notes, the Revolving Credit Facility or other debt subject to the Intercreditor Agreement, none of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or the Senior Secured Notes Guarantors may make payments in respect of the Senior Secured Notes or the Senior Secured Notes Guarantees except in connection with the realization or enforcement of the Senior Secured Notes Collateral or a transaction in lieu of such enforcement or all amounts turned over to the Security Agent as described under *“Description of Other Indebtedness—Intercreditor Agreement—Turnover,”* in which case such payments will be applied in respect of the Revolving Facility Agreement and certain hedging obligations until such obligations are repaid in full prior to the repayment of the Senior Secured Notes. See *“Description of Other Indebtedness—Intercreditor Agreement.”*

Principal and Maturity

The Senior Secured Notes Issuer will issue €565 million aggregate principal amount of Senior Secured Notes on the Issue Date comprising €315 million aggregate principal amount of Fixed Rate Notes and €250 million aggregate principal amount of Floating Rate Notes. The Senior Secured Notes will mature on June 15, 2019. The Senior Secured Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Fixed Rate Notes

Interest on the Fixed Rate Notes will accrue at the rate of 6.25% per annum. Interest on the Fixed Rate Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on June 15 and December 15, commencing on December 15, 2014;
- be payable to the Holder of record of such Senior Secured Notes on June 1 and December 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders of beneficial interests in the Senior Secured Notes to receive the payments of interest 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.

Floating Rate Notes

Each Floating Rate Note will bear interest at a rate per annum (the *“Applicable Rate”*), reset quarterly, equal to three month EURIBOR plus 5.25%, as determined by the calculation agent (the *“Calculation Agent”*), which will initially be Citibank, N.A., London Branch.

Interest on the Floating Rate Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of the actual number of days in the interest period concerned divided by 360.

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, except that the initial Determination Date will be June 13, 2014.

“*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 before the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date, provided, however, that EURIBOR shall never be less than 0%. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent, after consultation with the Senior Secured Notes Issuer, 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 two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

“*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 will commence on and include the Issue Date and end on and include September 14, 2014.

“*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.

“*Reuters Page 248*” means the display page so designated by Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

“*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 will, as soon as practicable after 11:00 a.m. (London 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 will 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 will, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law, *provided*, however, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Notes is permitted under any applicable law. The Senior Secured Notes Trustee, the Security Agent, and the other agents shall not be responsible for nor incur any liability in relation to any determination of interest made or intended to be made by the Calculation Agent.

Methods of receiving payments on the Senior Secured Notes

Principal, interest and premium, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Senior Secured Notes represented by one or more Global Notes registered in the name of or held by a nominee of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, 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 United Kingdom. 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 Senior Secured Notes Issuer will maintain one or more Paying Agents for the Senior Secured Notes, including in the United Kingdom. The initial Paying Agent will be Citibank, N.A., London Branch.

The Senior Secured Notes Issuer also undertakes 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 Council Directive 2003/48/EC regarding the taxation of savings income (the “*Directive*”) or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive.

The Senior Secured Notes Issuer will also maintain one or more registrars (each, a “*Registrar*”). The Senior Secured Notes Issuer will also maintain a transfer agent in the United Kingdom. The initial Registrar will be Citigroup Global Markets Deutschland AG. The initial transfer agent will be Citibank, N.A., London Branch. The Registrar, the Paying Agent and the transfer agent will, as applicable, maintain a register reflecting ownership of Definitive Registered Notes, if issued, outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Senior Secured Notes Issuer. Upon demand by the Senior Secured Notes Issuer, the Registrar shall upon request (at the expense of the Senior Secured Notes Issuer) send a copy of the register reflecting ownership of Definitive Registered Notes outstanding from time to time maintained by it to the Senior Secured Notes Issuer and the Senior Secured Notes Issuer shall keep such copy of the register at its registered office.

The Senior Secured Notes Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the Holders. 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 Senior Secured Notes 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).

Transfer and Exchange

The Senior Secured Notes will be issued in the form of one or more registered notes in global form without interest coupons attached, as follows:

- Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “*144A Global Notes*”). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream or its nominee.
- Senior Secured Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “*Regulation S Global Notes*” and, together with the 144A Global Notes, the “*Global Notes*”). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream or its nominee.

Ownership of interests in the Global Notes (“*Book-Entry Interests*”) will be limited to Persons that have accounts with Euroclear and/or Clearstream or Persons that may hold interests through such participants.

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 “*Transfer Restrictions*.” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the “*144A Book-Entry Interests*”) may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the “*Regulation S Book-Entry Interests*”) only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A 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.

Notwithstanding any provision of the Senior Secured Notes Indenture: (i) no Book-Entry Interest in any Global Note representing the Fixed Rate Notes (the “*Global Fixed Rate Notes*”) and no Definitive Registered Note issued in exchange for a Book-Entry Interest in the Global Fixed Rate Notes (the “*Definitive Registered Fixed Rate Notes*”) may be transferred or exchanged for any Book-Entry Interest in any Global Note representing the Floating Rate Notes (the “*Global Floating Rate Notes*”) or any Definitive Registered Note issued in exchange for a Book-Entry Interest in the Global Floating Rate Notes (the “*Definitive Registered Floating Rate Notes*”), and (ii) no Book-Entry Interest in the Global Floating Rate Notes and no Definitive Registered Floating Rate Note may be transferred or exchanged for any Book-Entry Interest in any Global Fixed Rate Note or any Definitive Registered Fixed Rate Note.

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 in principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Secured Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Secured Notes Indenture or as otherwise determined by the Senior Secured Notes Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Notice to Investors*.”

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Secured Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Senior Secured Notes 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 the Senior Secured Notes;

- (2) for a period of 15 days immediately prior to the date fixed for selection of Senior Secured Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; 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 Senior Secured Notes Issuer, the Senior Secured Notes Trustee, the Paying Agent, the Registrar and any transfer agent will be entitled to treat the registered Holder of a Senior Secured Note as the owner of it for all purposes.

Additional Senior Secured Notes

From time to time, subject to the Senior Secured Notes Issuer's compliance with the covenants described under the headings "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*," the Senior Secured Notes Issuer is permitted to issue Additional Senior Secured Notes, which shall have the terms set out in an Officer's Certificate supplied to the Senior Secured Notes Trustee. Such Additional Senior Secured Notes will be treated, along with all other series of Senior Secured Notes, as a single class for the purposes of the Senior Secured Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series; *provided* that Additional Senior Secured Notes will not be issued with the same CUSIP, ISIN or common code, as applicable, as existing Senior Secured Notes unless such Additional Senior Secured Notes are fungible with the existing Senior Secured Notes for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the Senior Secured Notes Indenture and this "*Description of the Senior Secured 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 Senior Secured Notes.

Restricted Subsidiaries and Unrestricted Subsidiaries

On the Issue Date, all of the Company's direct and indirect Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," the Senior Secured Notes Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Senior Secured Notes Indenture. The Unrestricted Subsidiaries will not Guarantee the Senior Secured Notes.

The Proceeds Loans

Upon the issuance of the Senior Secured Notes, the Senior Secured Notes Issuer, as lender, and the Company, as borrower, will enter into the Senior Secured Notes Proceeds Loan Agreement pursuant to which the Senior Secured Notes Issuer will loan to the Company the proceeds of the Senior Secured Notes.

The Senior Secured Notes Proceeds Loan will be denominated in euro in aggregate principal amount equal to the proceeds of the Senior Secured Notes. The Senior Secured Notes Proceeds Loan will bear interest at a rate at least equal to the interest rates of the Senior Secured Notes. Interest on the Senior Secured Notes Proceeds Loan will be payable semi-annually in arrears in respect of the Fixed Rate Notes and semi-annually in arrears in respect of the Floating Rate Notes, in each case on or prior to the corresponding date for the payment of interest on such Senior Secured Notes.

The Senior Secured Notes Proceeds Loan Agreement will provide that the Company will pay the Senior Secured Notes Issuer interest and principal due and payable on the Senior Secured Notes and any Additional Amounts due thereunder. All amounts payable under the Senior Secured Notes Proceeds Loan will be payable to such account or accounts with such Person or Persons as the Senior Secured Notes Issuer may designate. The maturity date of the Senior Secured Notes Proceeds Loan will be the same as the maturity date of the Senior Secured Notes. Except as otherwise required by law, all payments under the Senior Secured Notes Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that the Company is required to make any such deduction or withholding, such entity shall gross-up each payment to the Senior Secured Notes Issuer to ensure that the Senior Secured Notes Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Senior Secured Notes Proceeds Loan will provide that the Company, will make all payments pursuant thereto on a timely basis in order to ensure that the Senior Secured Notes Issuer can satisfy its payment

obligations under the Senior Secured Notes and the Senior Secured Notes Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Senior Secured Notes.

An assignment of (or to the extent not validly assigned, a fixed charge over) the Senior Secured Notes Issuer's rights under the Senior Secured Notes Proceeds Loan Agreement will be granted in favor of the Security Agent as part of the Collateral, as described below under "*—Security—General.*"

Senior Secured Notes Guarantees

General

The Senior Secured Notes will be Guaranteed by each Senior Secured Notes Guarantor. These Senior Secured Notes Guarantees will be joint and several obligations of the Senior Secured Notes Guarantors. Each Senior Secured Notes Guarantee is a full and unconditional Guarantee of the Senior Secured Notes Issuer's obligations under the Senior Secured Notes, subject to the contractual limitations discussed below.

The obligations of the Senior Secured Notes Guarantors will be contractually limited under the applicable Senior Secured Notes Guarantees to reflect limitations under applicable law and the Agreed Security Principles with respect to, among other things, maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to the Senior Secured Notes Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests.*"

Not all of the Company's Subsidiaries will Guarantee the Senior Secured Notes. In the event of a bankruptcy, liquidation, winding up or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company for application under the Senior Secured Notes Proceeds Loan. As of and for the fiscal year ended February 2, 2014, the Company and the Senior Secured Notes Guarantors accounted for 98% of the consolidated total assets, 95% of the net sales and 96% of the EBITDA of the Company and its Subsidiaries.

The Senior Secured Notes Issuer is dependent on the Company to make payments on the Senior Secured Notes Proceeds Loan for cash to service interest, principal and other payments on the Senior Secured Notes. In turn, the Company is, to a degree, dependent upon its Subsidiaries for cash to service interest, principal and other payments on the Senior Secured Notes Proceeds Loan. The Senior Secured Notes and the Senior Secured Notes Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's non-guarantor Subsidiaries. Any right of the Company or any Senior Secured Notes Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation, winding up or reorganization (and the consequent right of the holders of the Senior Secured Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Senior Secured Notes Issuer, the Company or such Senior Secured Notes Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Senior Secured Notes Issuer, the Company or such Senior Secured Notes Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Senior Secured Notes Issuer, the Company or such Senior Secured Notes Guarantor. As of February 2, 2014, the Company's non-Guarantor Subsidiaries had €0 million of third-party debt.

Additional Senior Secured Notes Guarantees

The Senior Secured Notes Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Senior Secured Notes (an "*Additional Senior Secured Notes Guarantor*") by causing it to execute and deliver to the Senior Secured Notes Trustee a supplemental indenture in the form attached to the Senior Secured Notes Indenture, pursuant to which such Restricted Subsidiary will become a Senior Secured Notes Guarantor.

Each Additional Senior Secured Notes Guarantor will, jointly and severally with the Senior Secured Notes Guarantors and each other Additional Senior Secured Notes Guarantor, irrevocably Guarantee (each Guarantee, an "*Additional Senior Secured Notes Guarantee*"), as primary obligor and not merely as surety, on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Senior Secured Notes Issuer under the Senior Secured Notes

Indenture and the Senior Secured Notes, whether for payment of principal of, or interest on or in respect of, the Senior Secured Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Senior Secured Notes Guarantor will be contractually limited under its Additional Senior Secured Notes Guarantee to reflect limitations under applicable law and the Agreed Security Principles, including, among other things, with respect to maintenance of share capital applicable to such Additional Senior Secured Notes Guarantor and its shareholders, directors and general partner. Any Additional Senior Secured Notes Guarantee shall be issued on substantially the same terms as the Senior Secured Notes Guarantees. For purposes of the Senior Secured Notes Indenture and this “*Description of the Senior Secured Notes*,” references to the Senior Secured Notes Guarantees include references to any Additional Senior Secured Notes Guarantees and references to the Senior Secured Notes Guarantors include references to any Additional Senior Secured Notes Guarantors.

Releases

Each Senior Secured Notes Guarantee, except for the Senior Secured Notes Guarantee of the Senior Notes Issuer, will be released:

- (1) upon a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Senior Secured Notes Guarantor (whether by direct sale or sale of a holding company) to a Person that is not (either before or after giving effect to such transaction) the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer, or a Restricted Subsidiary, if the sale or other disposition does not violate the “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” covenant below and such that the relevant Senior Secured Notes Guarantor no longer remains a Restricted Subsidiary;
- (2) in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of such Senior Secured Notes 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, the Senior Secured Notes Issuer, the Senior Notes Issuer, or a Restricted Subsidiary, if the sale or other disposition does not violate the “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” covenant below;
- (3) upon the designation in accordance with the Senior Secured Notes Indenture of such Senior Secured Notes Guarantor as an Unrestricted Subsidiary;
- (4) upon defeasance or discharge of the Senior Secured Notes, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*;”
- (5) in accordance with the provisions of the Intercreditor Agreement or an Additional Intercreditor Agreement relating to the release of a Senior Secured Notes Guarantee on an enforcement sale or other disposal of such Senior Secured Notes Guarantor;
- (6) as described under “—*Amendments and Waivers*;”
- (7) with respect to an Additional Senior Secured Notes Guarantee given under the covenant captioned “—*Certain Covenants—Additional Senior Secured Notes Guarantees*,” upon release of the Guarantee that gave rise to the requirement to issue such Additional Senior Secured Notes Guarantee so long as no Event of Default would arise as a result and no other Indebtedness that would give rise to an obligation to give an Additional Senior Secured Notes Guarantee is at that time Guaranteed by the relevant Senior Secured Notes Guarantor;
- (8) with respect to any Senior Secured Notes Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction permitted by “—*Certain Covenants—Merger and Consolidation—The Senior Secured Notes Guarantors*” and the Senior Secured Notes Indenture; or
- (9) upon the full and final payment and performance of all obligations of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors under the Senior Secured Notes Indenture and the Senior Secured Notes.

The Senior Secured Notes Guarantee of the Company and the Senior Notes Issuer will only be released upon the occurrence of any event described in clauses (4), (5), (6), (8) or (9) above.

The Senior Secured Notes Trustee and the Security Agent (as applicable) shall, subject to receipt of certain documents from the Company and/or Senior Secured Notes Guarantors, and subject to the terms of the

Intercreditor Agreement, each take all necessary actions reasonably requested by the Company, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release of a Senior Secured Notes Guarantee of a Senior Secured Notes Guarantor in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Senior Secured Notes Trustee without the consent of the Holders or any action on the part of the Senior Secured Notes Trustee. Neither the Senior Secured Notes Trustee nor the Company will be required to make a notation on the Senior Secured Notes to reflect any such release, termination or discharge.

Security

General

As of the Issue Date the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured by first-ranking security interests pursuant to the Intercreditor Agreement; including:

- Dutch law governed pledges over all the shares of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and each of the other Senior Secured Notes Guarantors;
- Dutch law governed omnibus pledge agreements in respect of the assets of the Senior Secured Notes Issuer's (including the Senior Secured Notes Proceeds Loan), the Senior Notes Issuer (including the Senior Notes Proceeds Loan), the Company and each of the other Senior Secured Notes Guarantors;
- Belgian law governed pledges over bank accounts, receivables and business and a business pledge mandate, each in relation to HEMA België B.V.;
- Luxembourg law governed pledge over bank accounts of HEMA België B.V.; and
- Dutch law governed security over intercompany receivables (including preferred equity certificates) owed to Dutch Lion B.V. by HEMA B.V.,

collectively, the "*Senior Secured Notes Collateral*," each on a shared first-ranking basis, along with obligations under the Revolving Credit Facility and certain Hedging Obligations. However, pursuant to the Intercreditor Agreement, Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Revolving Credit Facility and certain Hedging Obligations, have been repaid in full.

The liens on the Senior Secured Notes Collateral to secure the Senior Secured Notes and the Senior Secured Notes Guarantees are referred to herein collectively as the "*Security Interest*." Any other property or assets over which Security Interest may in the future be granted to secure obligations under the Senior Secured Notes and the Senior Secured Notes Indenture would also constitute "*Senior Secured Notes Collateral*."

The Senior Secured Notes Collateral will be contractually limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to security providers and their shareholders, directors and general partners. For a description of such contractual limitations, see "*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests*." The grant and control of the security will also be subject to certain Agreed Security Principles. The Agreed Security Principles provide that certain assets will not be pledged (or the Liens not perfected), including if such pledge (or the perfection of such Lien) would:

- result in any breach of general statutory limitations, capital maintenance rules, corporate benefit, financial assistance, fraudulent preference or thin capitalization laws or regulations (or analogous restrictions) of any applicable jurisdiction;
- result in a material risk to the officers of the relevant grantor of security of contravention of their fiduciary duties and/or of civil or criminal liability;
- result in costs that, in the opinion of the agent under the Revolving Credit Facility and the Company (both acting reasonably), are disproportionate to the benefit obtained by the beneficiaries of that security;
- relate to any assets subject to third party arrangements which prevent those assets from being charged or assigned (provided that this does not preclude the relevant entity from using all reasonable

endeavors to obtain consent to such charging or assignment), including without limitation any joint ventures or shares in joint ventures; or

- have a material adverse effect on the ability of the relevant obligor to conduct its operations and business in the ordinary course as otherwise permitted by the agreements to which it is a party.

The Agreed Security Principles with respect to the Senior Secured Notes will be interpreted and applied in good faith by the Senior Secured Notes Issuer.

The Liens securing the Senior Secured Notes and the Senior Secured Notes Guarantees will also secure (x) the obligations of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors under the Revolving Credit Facility and certain Hedging Obligations; *provided, however*, that Holders of the Senior Secured Notes will receive proceeds from enforcement of the Senior Secured Notes Collateral and certain distressed disposals only after any obligations secured on a super-priority basis, including obligations under the Revolving Credit Facility and certain Hedging Obligations, have been repaid in full; and (y) with respect to the Liens on the Shared Senior Notes Collateral, the obligations of the Senior Notes Issuer under the Senior Notes Indenture; *provided that* the Liens in respect of the Shared Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantee will be contractually subordinated, pursuant to the Intercreditor Agreement, to the Liens in respect of the Shared Senior Notes Collateral securing the Senior Secured Notes, the Senior Secured Notes Guarantees, the Revolving Credit Facility and certain Hedging Obligations. In addition, subject to certain conditions, including compliance with the covenant described under “—*Certain Covenants—Impairment of Security Interest*,” each of the Security Providers, the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors is permitted to pledge the Senior Secured Notes Collateral in connection with future Incurrences of Indebtedness, including any Additional Senior Secured Notes, in each case, permitted under the Senior Secured Notes Indenture and other Indebtedness of members of the Group and on terms consistent with the relative priority in right of payment of such Indebtedness under the Senior Secured Notes Indenture and the Intercreditor Agreement.

In addition to the release provisions described below, the Security Interest will cease to exist by operation of law or will be released, depending on the type of security interest, upon the defeasance or discharge of the Senior Secured Notes as provided in “—*Defeasance*” or “—*Satisfaction and Discharge*,” in each case in accordance with the terms and conditions of the Senior Secured Notes Indenture.

There can be no assurance that the proceeds from the sale of the Senior Secured Notes Collateral would be sufficient to satisfy the obligations owed to the Holders, and the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Senior Secured Notes and the disposition of assets comprising the Senior Secured Notes Collateral, subject to the terms of the Senior Secured Notes Indenture. No appraisals of the Senior Secured Notes Collateral have been made in connection with this offering of the Senior Secured Notes. By its nature, some or all of the Senior Secured Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Senior Secured Notes Collateral may not be able to be sold in a short period of time, or at all. See “*Risk Factors—Risks Related to the Notes and the Notes Guarantees—No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Notes Guarantees and such security may not be sufficient to satisfy the obligations under the Notes and the Notes Guarantees*” and “*Risk Factors—Risks Related to the Notes and the Notes Guarantees—It may be difficult to realize the value of the Collateral securing the Notes.*” In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to release the Security Interest, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Senior Secured Notes 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.*”

Subject to the terms of the Security Documents and prior to enforcement of any such Senior Secured Notes Collateral, the Security Providers, the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors, as the case may be, will have the right to remain in possession and retain exclusive control of the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees, to freely operate the Senior Secured Notes Collateral and to collect, invest and dispose of any income therefrom and, in respect of the shares that are part of the Senior Secured Notes Collateral, will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or

reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing).

The creditors under the Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Secured Notes Collateral, the Senior Notes Trustee and the Senior Secured Notes Trustee have, and by accepting a Senior Secured Note, each Holder will be deemed to have, irrevocably appointed the Security Agent to act as its agent and security agent under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. The creditors under the Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Secured Notes Collateral, the Senior Notes Trustee and the Senior Secured Notes Trustee have, and by accepting a Senior Secured Note, each Holder will be deemed to have, 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 the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Further, the Senior Secured Notes 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 and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). See “*Description of Other Indebtedness—Intercreditor Agreement.*”

Security Documents

Under the Security Documents, the Senior Secured Notes Issuer, the Senior Secured Notes Guarantors and the Security Providers will grant security over the Senior Secured Notes Collateral to secure the obligations of the Senior Secured Notes Issuer, under the Senior Secured Notes, and the Senior Secured Notes Indenture and the obligations of the Senior Secured Notes Guarantors under their respective Senior Secured Notes Guarantees and the Senior Secured Notes Indenture. The Security Documents will be entered into by, *inter alios*, the relevant Security Provider and the Security Agent.

The Security Agent will enter into the Security Documents in its own name for the benefit of the Senior Secured Notes Trustee and the Holders. The Security Agent will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations (who will have the equal and ratable benefit of the same Senior Secured Notes Collateral) and the holders of the Senior Notes. The Security Agent will also act on behalf of certain future secured creditors.

The Security Documents provide that the rights with respect to the Senior Secured Notes Collateral must be exercised by the Security Agent or the parties to the Security Documents. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

The Security Agent will agree to any release of the Security Interest created by the Security Documents that is in accordance with the Senior Secured Notes Indenture and the Intercreditor Agreement without requiring any consent of the Holders. See “*—Release of Liens*” and “*Risk Factors—Risks Related to Our Structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically and under which the Notes Guarantees will be released automatically, without your consent or any action on the part of the Trustee.*” In addition, the terms of the Security Documents themselves provide for assets to cease to become subject to security in certain circumstances without need for a formal release, such as the sale of assets which are subject to a charge, or the exclusion of certain assets from a debenture if such assets may not be subject to security (such as, for example, assets that may not be validly pledged, or assets that are subject to a Permitted Lien). The Security Agent will commence enforcement action under the Security Documents only in accordance with the terms of the Intercreditor Agreement. See “*—Enforcement of Security Interest.*”

In the event that any of the Security Providers, the Senior Secured Notes Issuer, or any of the Senior Secured Notes Guarantors enters into insolvency, bankruptcy, dissolution or similar proceedings, the Security Interest created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interest or the terms of the Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See “*Risk Factors—Risks Related to the Notes*

and Notes Guarantees—Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability.”

Release of Liens

The Security Providers, the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors will be entitled, in addition to the circumstances described above, to require the Security Agent to release the Security Interest in respect of the Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees under any one or more of the following circumstances:

- (1) in the case of Senior Secured Notes Collateral owned by the Company or a Restricted Subsidiary of the Company, in connection with any sale or disposition of such property or assets to (a) any Person that is not the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or a Restricted Subsidiary either before or after giving effect to such transaction, if such sale or other disposition does not violate the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” or (b) to the Company or any Senior Secured Notes Guarantor; *provided* that such transfer is otherwise in compliance with the Senior Secured Notes Indenture and, in the case of clause (b), immediately following such sale or disposition, a Lien of at least equivalent ranking over the same assets or property exists or is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Secured Notes Trustee for the Holders);
- (2) in connection with the release of a Senior Secured Notes Guarantor from its Senior Secured Notes Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Senior Secured Notes Guarantor;
- (3) if the Senior Secured Notes Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*,”
- (5) in compliance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement relating to disposals of assets subject to security (see “*Description of Other Indebtedness—Intercreditor Agreement*”);
- (6) (i) in accordance with “—*Amendments and Waivers*,” (ii) in accordance with “—*Certain Covenants—Impairment of Security Interest*,” and (iii) in accordance with the second paragraph under “—*Certain Covenants—Limitation on Liens*” so long as immediately after the release there is no other Indebtedness secured by a Lien on the property or assets that was the subject of the Initial Lien that would result in the requirement for the Senior Secured Notes and the Senior Secured Notes Guarantees to be secured equally and ratably with, or prior to, such Lien;
- (7) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under “—*Certain Covenants—Merger and Consolidation*,” *provided* that following such merger, consolidation, conveyance or transfer, a Lien of at least equivalent ranking over the same assets or property is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Secured Notes Trustee for the Holders) to the extent such assets or property continue to exist as assets or property of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or a Restricted Subsidiary of the Company; and
- (8) upon the full and final payment and performance of all obligations of the Company under the Senior Secured Notes Indenture and the Senior Secured Notes.

The Security Agent and the Senior Secured Notes Trustee (only if required) will take all necessary action reasonably requested by the Senior Secured Notes Issuer required to effectuate any release of Senior Secured Notes Collateral securing the Senior Secured Notes and the Senior Secured Notes Guarantees, in accordance with the provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Documents. Each of the releases set forth above shall be permitted to be effected by the Security Agent without the consent of the Holders or any action on the part of the Senior Secured Notes Trustee.

Enforcement of Security Interest

The ability of the Security Agent to enforce any Security Interest is restricted by the terms of the Intercreditor Agreement by reference to the interests of the lenders under the Revolving Credit Facility and the counterparties to certain Hedging Obligations. See “*Description of Other Indebtedness—Intercreditor Agreement*.” It may also be restricted by similar arrangements in relation to future Indebtedness that is secured by the Senior Secured Notes Collateral in compliance with the Senior Secured Notes Indenture and the Intercreditor Agreement.

Similar provisions may be included in any Additional Intercreditor Agreement entered into in compliance with “*—Certain Covenants—Additional Intercreditor Agreements*.”

To establish the relative rights of certain creditors of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors under our financing arrangements, including, without limitation, the Senior Secured Notes, the Revolving Credit Facility, certain Hedging Obligations and the Senior Notes, the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors, the agent under the Revolving Credit Facility, the Senior Secured Notes Trustee, the trustee under the Senior Notes Indenture and the Security Agent will enter into the Intercreditor Agreement. See “*Description of Other Indebtedness—Intercreditor Agreement*”. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of obligations under the Revolving Credit Facility and any Credit Facilities Incurred pursuant to clause (1) of the second paragraph of the covenant described under “*—Certain Covenants—Limitation on Indebtedness*” and any Hedging Obligations Incurred pursuant to clause (6) of the second paragraph of the covenant described under “*—Certain Covenants—Limitation on Indebtedness*” and permitted to be secured on the Senior Secured Notes Collateral (see “*—Certain Definitions—Permitted Collateral Liens*”) will receive priority with respect to any proceeds received upon enforcement of any Senior Secured Notes Collateral and certain distressed disposals; *provided, however*, that as long as the Revolving Credit Facility has not been cancelled, discharged or otherwise terminated, the amount of Hedging Obligations permitted to receive such priority will be limited. Any proceeds received upon any enforcement over any Senior Secured Notes Collateral and certain distressed disposals, after all obligations under the Revolving Credit Facility have been repaid and such Hedging Obligations have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees and any other obligations of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors permitted to be Incurred and secured by the Senior Secured Notes Collateral on a *pari passu* basis pursuant to the Senior Secured Notes Indenture and the Intercreditor Agreement.

Optional Redemption

Fixed Rate Notes

Except as described below and except as described under “*—Redemption for Taxation Reasons*,” the Fixed Rate Notes are not redeemable until June 15, 2016. On and after June 15, 2016, the Senior Secured Notes Issuer may redeem all or, from time to time, part of the Fixed Notes upon not less than 10 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods indicated below:

Year	Redemption Price
From June 15, 2016 to June 14, 2017	103.125%
From June 15, 2017 to June 14, 2018	101.563%
From June 15, 2018 and thereafter	100.0%

Unless the Senior Secured Notes Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Secured Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Senior Secured Notes Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to June 15, 2016, the Senior Secured Notes Issuer may on any one or more occasions redeem up to 40% of the original aggregate principal amount of the Fixed Rate Notes (including the aggregate principal amount of any Additional Senior Secured Notes), upon not less than 10 nor more than 60 days’ notice,

with funds in an aggregate amount (the “*Redemption Amount*”) not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 106.250% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

- (1) at least 60% of the original aggregate principal amount of the Fixed Rate Notes (including the aggregate principal amount of any Additional Senior Secured Notes) remains outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Senior Secured Notes Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to June 15, 2016, the Senior Secured Notes Issuer may redeem all or, from time to time, a part of the Fixed Rate Notes upon not less than 10 nor more than 60 days’ notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Senior Secured Notes Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent.

Floating Rate Notes

Except as described below and except as described under “—*Redemption for Taxation Reasons*”, the Floating Rate Notes are not redeemable until June 15, 2015. On and after June 15, 2015, the Senior Secured Notes Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods indicated below:

<u>Year</u>	<u>Redemption Price</u>
From June 15, 2015 to June 14, 2016	101.0%
From June 15, 2016 and thereafter	100.0%

Unless the Senior Secured Notes Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Floating Rate Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Senior Secured Notes Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to June 15, 2015, the Senior Secured Notes Issuer may on any one or more occasions redeem up to 40% of the original aggregate principal amount of the Floating Rate Notes (including the aggregate principal amount of any Additional Senior Secured Notes), upon not less than 10 nor more than 60 days’ notice, with funds in an aggregate amount (the “*Redemption Amount*”) not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 100.000% plus three month EURIBOR plus 5.25% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

- (1) at least 60% of the original aggregate principal amount of the Floating Rate Notes (including the aggregate principal amount of any Additional Senior Secured Notes) remains outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the

Senior Secured Notes Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to June 15, 2015, the Senior Secured Notes Issuer may redeem all or, from time to time, a part of the Floating Rate Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Senior Secured Notes Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

General

Notice of redemption will be provided as set forth under "*Selection and Notice*" below.

If the Senior Secured Notes Issuer effects an optional redemption of the Senior Secured Notes, it will, 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, 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 Senior Secured Notes Issuer.

Sinking Fund

The Senior Secured Notes Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Secured Notes.

Redemption at Maturity

On June 15, 2019, the Senior Secured Notes Issuer will redeem the Senior Secured Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

If less than all the Senior Secured Notes is to be redeemed at any time, the Registrar or the Paying Agent will select Senior Secured Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Senior Secured Notes are listed, and in compliance with the requirements of Euroclear or 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 or Clearstream prescribes no method of selection based on a method that most nearly approximates a *pro rata* selection; *provided, however*, that no Senior Secured Note of €100,000 in principal amount or less shall be redeemed in part and only Senior Secured Notes in integral multiples of €1,000, will be redeemed. None of the Senior Secured Notes Trustee, the Paying Agent or the Registrar will be liable for any selections made in accordance with this paragraph.

If and for 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 nor more than 60 days prior to the redemption date, the Senior Secured Notes Issuer shall mail 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. For Senior Secured Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

If any Senior Secured Note is to be redeemed in part only, the notice of redemption that relates to that Senior Secured Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such 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, Senior Secured Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Secured Notes or portions of Senior Secured Notes called for redemption.

Redemption for Taxation Reasons

The Senior Secured Notes Issuer may redeem the Senior Secured Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Senior Secured Notes (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Senior Secured Notes Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) which change or amendment is publicly announced and becomes effective after the Issue Date (or, if a Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction on a date after the Issue Date, after such later date); or
- (2) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective after the Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, after such later date) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Senior Secured Notes Issuer is, or on the next interest payment date in respect of the Senior Secured Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Senior Secured Notes Issuer (including, for the avoidance of doubt, the appointment of a new Paying Agent). 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 Senior Secured Notes Issuer would be obliged to pay Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of such Senior Secured Notes pursuant to the foregoing, the Senior Secured Notes Issuer will deliver to the Senior Secured Notes Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Senior Secured Notes Trustee to the effect that the Senior Secured Notes Issuer has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Senior Secured Notes Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above and compliance with the Senior Secured Notes Indenture, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply (a) to any Senior Secured Notes Guarantor only after such time as such Senior Secured Notes Guarantor is obligated to make at least one payment on the Senior Secured Notes and only if the payment giving rise to such requirement cannot be made by the Senior Secured Notes Issuer or another Senior Secured Notes Guarantor without the obligation to pay Additional Amounts and

(b) *mutatis mutandis* to any successor Person and to any jurisdiction in which any successor Person is incorporated or organized or otherwise considered to be a resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which such successor Person makes any payment on the Senior Secured Notes or any Senior Secured Notes Guarantee is made by or on behalf of such successor Person and any political subdivision or taxing authority or agency thereof or therein.

Withholding Taxes

All payments made by or on behalf of the Senior Secured Notes Issuer or any Senior Secured Notes Guarantor thereto (each, a “Payor”) on the Senior Secured Notes or any Senior Secured Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction in which a Payor is then incorporated, organized, or otherwise considered to be a resident or maintaining a permanent establishment or doing business for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or
- (2) any jurisdiction from or through which any payment on any such Senior Secured Note or Senior Secured Notes Guarantee is made by or on behalf of such Payor (including, without limitation, the jurisdiction of any Paying agent for the Senior Secured Notes), or any political subdivision or governmental authority thereof or therein having the power to tax (each of clauses (1) and (2), a “*Relevant Taxing Jurisdiction*”),

will at any time be required in respect of any payments made by or on behalf of a Payor under or with respect to any Senior Secured Note or Senior Secured Notes Guarantee, including, without limitation, payments of principal, redemption price, purchase price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by the beneficial owner after such withholding, deduction or imposition (including any such deduction, withholding or imposition in respect of such Additional Amounts), will equal the amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (a) any Taxes, to the extent such Taxes would not have been so imposed but for the existence of any actual or deemed present or former connection between the relevant Holder or the beneficial owner of a Senior Secured Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment, place of business or place of management in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition or ownership of a Senior Secured Note or the receipt of any payment in respect of, or the enforcement of, the Senior Secured Notes or any Senior Secured Notes Guarantee;
- (b) any Taxes, to the extent such Taxes 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 or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request) to comply with any certification, information, documentation or other reporting requirements, which is required by applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of Taxes imposed by the Relevant Taxing Jurisdiction, but only to the extent the Holder or beneficial owner is legally entitled to provide such certification, information or documentation;
- (c) any Taxes that are required to be paid other than by deduction or withholding from a payment on the Senior Secured Notes or any Senior Secured Notes Guarantee;
- (d) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Tax;
- (e) any Taxes that are required to be deducted or withheld in respect of a payment to an individual and that are required to be made pursuant to the Directive or any other directive implementing the

conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to any such directive;

- (f) any Taxes imposed on a payment on a Senior Secured Note presented for payment (where presentation is permitted or required for payment) to a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Secured Note to another Paying Agent in a member state of the European Union; or
- (g) any Taxes imposed pursuant to Sections 1471 through 1474 of the Code, the Treasury regulations thereunder or any similar law or regulations adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing; or
- (h) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the Holder or beneficial owner had presented the Senior Secured Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder or beneficial owner (except to the extent that the Holder or beneficial owner would have been entitled to Additional Amounts had the Senior Secured Note been presented on any day during such 30-day period).

In addition, such Additional Amounts shall not be paid with respect to any payment to any Holder who is a fiduciary or a partnership or any person other than the 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 such Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Senior Secured Notes directly.

The Payor or the applicable withholding agent will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will (i) 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 or, if notwithstanding such Payor's efforts to obtain such tax receipts, such tax receipts are not obtained, then such other evidence of payment of such Taxes by the Payor as is reasonably satisfactory to the Trustee and (ii) will provide such certified copies or such evidence of payment to the Senior Secured Notes Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Senior Secured Notes Trustee by the Holders or beneficial owners upon request and will be made available at the offices of the Luxembourg Listing Agent if the Senior Secured Notes are then listed on the Luxembourg Stock Exchange.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Senior Secured Note or Senior Secured Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Paying Agent and the Senior Secured Notes 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 or the beneficial owner on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, 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 Senior Secured Notes Trustee and the Paying Agent will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever there are mentioned, in any context in any of the Senior Secured Notes Indenture, the Senior Secured Notes Guarantees or this Description of the Senior Secured Notes: (1) the payment of principal, (2) purchase or redemption price in connection with a purchase or redemption of Senior Secured Notes, (3) interest, or (4) any other amount payable on or with respect to 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 Payor will pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes (including any reasonable expenses related thereto) that arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery, initial resale, or registration or in any tax jurisdiction on the enforcement of any Senior Secured Notes, the Senior Secured Notes Indenture, any Senior Secured Notes Guarantee, the Senior Secured Notes Proceeds Loan Agreement, or any other document or instrument in relation thereto other than on a transfer of Senior Secured Notes after the initial resale by the Initial Purchasers, or any payments under or with respect thereto, and the Payor agrees to indemnify the Holders or the beneficial owners for any such Taxes paid by or on behalf of such Holders or beneficial owners.

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture, and any transfer by a Holder or beneficial owner of its Senior Secured Notes, and will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which any successor to the Payor is organized, incorporated or otherwise considered to be a resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which any payment on the Senior Secured Notes or any Senior Secured Notes Guarantee is made by or on behalf of such successor and any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading “*Change of Control*,” each Holder will have the right to require the Senior Secured Notes Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder’s Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of each Note, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Senior Secured Notes Issuer shall not be obliged to repurchase Senior Secured Notes as described under this heading, “*Change of Control*,” in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Secured Notes as described under “—*Optional Redemption*” and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived.

Unless the Senior Secured Notes Issuer has unconditionally exercised its right to redeem all the Senior Secured Notes as described under “—*Optional Redemption*” and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Senior Secured Notes Issuer will send a notice (the “*Change of Control Offer*”) to each Holder of any such Senior Secured Notes, by mail or otherwise in accordance with the procedures set forth in the Senior Secured Notes Indenture, with a copy to the Senior Secured Notes Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Senior Secured Notes Issuer to purchase all or any part of such Holder’s Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Secured Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “*Change of Control Payment*”);
- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “*Change of Control Payment Date*”) and the 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 Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Senior Secured Notes Issuer, consistent with the Senior Secured Notes Indenture, that a Holder must follow in order to have its Senior Secured Notes repurchased; and

- (6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Senior Secured Notes Issuer will, to the extent lawful:

- (1) accept for payment all Senior Secured Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with an 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 Senior Secured Notes Trustee an Officer's Certificate stating the aggregate principal amount of Senior Secured Notes or portions of the Senior Secured Notes being purchased by the Senior Secured Notes Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Senior Secured Notes or portions thereof that have been tendered to and purchased by the Senior Secured Notes Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Senior Secured Notes Issuer.

If any Definitive Registered Notes have been issued, an agent will promptly mail (or cause to be delivered), at the Senior Secured Notes Issuer's expense, to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Secured Notes, and the Senior Secured Notes Trustee will, at the Senior Secured Notes Issuer's expense, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior Secured Notes surrendered, if any; *provided* that each such new Senior Secured Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Senior Secured Notes Issuer will publish notices relating to the Change of Control Offer 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 Change of Control provisions described above will be applicable whether or not any other provisions of the Senior Secured Notes Indenture are applicable. Except as described above with respect to a Change of Control, the Senior Secured Notes Indenture does not contain provisions that permit the Holders to require that the Senior Secured Notes Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Senior Secured Notes Issuer to repurchase such Holder's Senior Secured Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Senior Secured Notes 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 Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Senior Secured Notes 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 Senior Secured Notes Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Secured Notes Indenture, the Senior Secured Notes Issuer will comply with the applicable securities laws and regulations and will not be

deemed to have breached its obligations under the Change of Control provisions of the Senior Secured Notes Indenture by virtue of the conflict.

The Senior Secured Notes Issuer's ability to repurchase Senior Secured Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Senior Secured Notes Indenture. Future Indebtedness of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Senior Secured Notes Issuer to repurchase the Senior Secured Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Group. Finally, the Senior Secured Notes Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Senior Secured Notes Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See *"Risk Factors—Risks Related to Our Structure—We may not be able to obtain the funds required to repurchase the Notes upon a change of control."*

In addition, the definitions of *"Change of Control"* and *"Permitted Holders"* expressly permit a third party to obtain control of the Company in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

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 a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Senior Secured Notes Issuer to make an offer to repurchase the Senior Secured Notes as described above.

The provisions of the Senior Secured Notes Indenture relating to the Senior Secured Notes 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 aggregate principal amount of the Senior Secured Notes.

Certain Covenants

Limitation on Indebtedness

The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer will not, and the Company will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer and any of the Company's Restricted Subsidiaries 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 for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of €80 million and 70% 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, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary of Indebtedness of the Company, the Senior Secured Notes Issuer, the

Senior Notes Issuer or any Restricted Subsidiary in each case, so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture (other than pursuant to this clause (2)); provided that, if Indebtedness being Guaranteed is subordinated to or *pari passu* with the Senior Secured Notes or a Senior Secured Notes Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed; and

- (b) without limiting the covenant described under “—*Limitation on Liens*,” Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture (other than pursuant to this clause (2));
- (3) Indebtedness of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary; *provided, however*, that:
 - (a) (1) 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, the Senior Secured Notes Issuer, the Senior Notes Issuer or a Restricted Subsidiary of the Company; and (2) any sale or other transfer of any such Indebtedness to a Person other than the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer 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 by the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or such Restricted Subsidiary, as the case may be; and
 - (b) if the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor is the obligor on such Indebtedness and the payee is not the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor, such Indebtedness must be (a) unsecured and (b) except in respect of the intercompany current liabilities Incurred in the ordinary course of business, expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior Secured Notes or the relevant Senior Secured Notes Guarantee as applicable in the manner and to the extent provided for in the Intercreditor Agreement;
- (4) (a) Indebtedness represented by (i) the Senior Secured Notes (other than any Additional Senior Secured Notes) and the Senior Secured Notes Guarantees thereof and the Senior Secured Notes Proceeds Loan and (ii) the Senior Notes (other than any Additional Senior Notes), the guarantees of the Senior Notes and the Senior Notes Proceeds Loan, (b) any Indebtedness (other than Indebtedness described in clauses (1), (3) and (4)(a) of this paragraph) entered into or outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in sub-clauses (a), (b) and (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;
- (5) Indebtedness of (x) the Senior Secured Notes Issuer or any Senior Secured Notes Guarantor Incurred to finance an acquisition or (y) Persons that are acquired by the Company or any of its Restricted Subsidiaries or merged, consolidated, amalgamated with or into the Company or any of its Restricted Subsidiaries in accordance with the terms of the Senior Secured Notes Indenture; *provided, however*, that after giving effect to such acquisition or merger, consolidation or amalgamation either: (a) the Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant; or (b) the Fixed Charge Coverage Ratio of the Company would not be less than it was immediately prior to giving effect to such acquisition or merger, consolidation or amalgamation;
- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or the Company’s Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Senior Secured Notes Issuer);
- (7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar

Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €25 million and 1.5% 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; *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 60 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;
- (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, the Senior Secured Notes Issuer, the Senior Notes Issuer and the Company's Restricted Subsidiaries in respect of all such Indebtedness in connection with any such disposition 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, the Senior Secured Notes Issuer, the Senior Notes Issuer and the Company's 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 30 Business Days of Incurrence;
- (b) take-or-pay obligations, customer deposits and advance payments received in the ordinary course of business consistent with past practice from customers for goods purchased in the ordinary course of business;
- (c) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Group with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Group; and
- (d) Indebtedness Incurred by the Company or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business on arm's length commercial terms;
- (11) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any of the Company's Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) of the Company, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1),

(6) and (10) of the third paragraph of the covenant described below under “—*Limitation on Restricted Payments*” to the extent the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any of the Company’s 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 (11) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under “—*Limitation on Restricted Payments*” in reliance thereon;

- (12) any Guarantees by any Senior Secured Notes Guarantor (other than the Senior Notes Issuer) of Parent Debt, the net proceeds of which have been lent to the Company pursuant to a Company Proceeds Loan; *provided* that such Company Proceeds Loan has been Incurred in compliance with this covenant other than this clause (12); *provided, further,* that such Guarantees are subordinated to the Senior Secured Notes and the Senior Secured Notes Guarantees, as applicable, pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and that such Company Proceeds Loan is pledged to secure the Senior Secured Notes and the Senior Secured Notes Guarantees on a senior basis in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement;
- (13) Indebtedness of the Company or any Restricted Subsidiary consisting of local lines of credit and overdraft facilities in an aggregate amount at any time outstanding not exceeding the greater of €10 million and 0.5% of Total Assets in the aggregate outstanding at any one time;
- (14) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;
- (15) Guarantees of Indebtedness Incurred by franchisees for an aggregate amount at any time outstanding not exceeding €20 million; and
- (16) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (16) and then outstanding, will not exceed the greater of €50 million and 3.0% of Total Assets.

For purposes of determining compliance with, and the outstanding 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 Senior Secured Notes Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided* that (a) all Indebtedness outstanding under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and may not be reclassified and (b) all Senior Secured Indebtedness Incurred under clause (1) of the second paragraph of this covenant that is secured by Liens on Senior Secured Notes Collateral that is accorded super senior priority status with respect to proceeds of enforcement of Senior Secured Notes Collateral under the Intercreditor Agreement or any Additional Intercreditor Agreement pursuant to clause (1) of the second paragraph may not be reclassified;
- (2) 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;
- (3) 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), (13) or (16) 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;
- (4) the principal amount of any Disqualified Stock of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be

equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

- (5) 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;
- (6) for the purposes of determining “Consolidated EBITDA” under clause (1)(i) 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 Consolidated Leverage Ratio for the Company and (ii) Consolidated EBITDA shall be measured for the most recently ended four full fiscal quarters for which internal financial statements are available; and
- (7) for the purposes of determining “Total Assets” under clauses (7), (13) or (16) of the second paragraph of this covenant, Total Assets shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date upon which Indebtedness is Incurred (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, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this “—*Limitation on Indebtedness*.” The amount of any Indebtedness outstanding as of any date will be: (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS and (ii) the principal amount of the Indebtedness, in the case of any other Indebtedness. For the purposes of determining any particular amount of Indebtedness under this “—*Limitation on Indebtedness*” covenant, obligations with respect to letters of credit, Guarantees or Liens, in each case supporting Indebtedness otherwise included in the determination of such particular amount will not be included.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this “—*Limitation on Indebtedness*,” the Senior Secured Notes Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer will not, and the Company 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, the Senior Secured Notes Issuer's, the Senior Notes Issuer'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; or
 - (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 any Restricted Subsidiary of the Company 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, the Senior Secured Notes Issuer, the Senior Notes Issuer or any direct or indirect Parent Entity of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" (other than the Senior Notes Proceeds Loan)) or make any cash interest payment or any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or
- (4) 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 (4) are referred to herein as a "*Restricted Payment*"), if at the time the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or such Restricted Subsidiary makes such Restricted Payment:
 - (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
 - (b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or
 - (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the second succeeding paragraph), (10) and (18) 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 prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (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 of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock

- (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (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 or Parent Debt Contributions);
- (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value 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, the Senior Secured Notes Issuer, the Senior Notes Issuer 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 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 proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions or Parent Debt 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, the Senior Secured Notes Issuer, the Senior Notes Issuer 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), constituted a Restricted Payment made after the Issue Date; *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 of property or assets or of 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, the Senior Secured Notes Issuer, the Senior Notes Issuer 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 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 Senior Secured Notes Issuer’s option) included under this clause (v).

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 conclusively by an Officer or the Board of Directors of the Senior Secured Notes Issuer acting in good faith.

The foregoing provisions will not prohibit any of the following (collectively, “*Permitted Payments*”):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale 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 or a Parent Debt Contribution) of the Company; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph describing this covenant and will not be considered Excluded Contributions or Parent Debt Contributions or to be net cash proceeds from an Equity Offering for the purposes of “*Optional Redemption*” provisions of the Senior Secured Notes;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
 - (a) (i) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if the Senior Secured Notes Issuer shall have complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to or substantially concurrently with 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 required, if the Senior Secured Notes Issuer shall have 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 or substantially concurrently with 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) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent Entity or any entity formed for the purpose of investing in Capital Stock of the Company to permit any Parent Entity or such other entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €4 million in any calendar year (with any unused amounts being carried over in succeeding calendar years), plus (2) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Entity) 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 have not otherwise been designated as Excluded Contributions or Parent Debt Contributions and 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 “—*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 Entity or other payments by the Company or any Restricted Subsidiary to Affiliates in amounts not to exceed (without duplication) the following amounts (rounded up to the next higher hundred thousand euro):
 - (a) any Parent Expenses or any Related Taxes; or
 - (b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Refinancing or (ii) to the extent specified in clauses (2), (3), (5), (7), (11), (12), (13) and (14) of the second paragraph under “—*Limitation on Affiliate Transactions*,”
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Company, any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Company or contributed as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.00 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.25 to 1.00; *provided, further* that, if such Public Offering was of Capital Stock of a Parent Entity, the net proceeds of any such dividends or distributions are used to fund a corresponding dividend or other distribution in equal or greater amount on the Capital Stock of such Parent Entity;
- (11) payments by the Company, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Company or any Parent Entity in lieu of the issuance of

fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Company);

- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;
- (14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock, an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by a Parent Entity or an Affiliate, the issuance of Designated Preference Shares) of the Company or contributed as Subordinated Shareholder Funding to the Company, as applicable, from the issuance or sale of such Designated Preference Shares;
- (15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (16) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to the Senior Notes Issuer solely for the purpose of making any interest payments in respect of an aggregate principal amount of the Senior Notes not to exceed the aggregate principal amount of the Senior Notes outstanding on the Issue Date; *provided* that, in each case, the Senior Notes Issuer applies such payments substantially concurrently with the receipt of such payment;
- (17) (i) payment under a Company Proceeds Loan Incurred in compliance with the “*Limitation on Indebtedness*” covenant, other than clause (12) of the second paragraph of such covenant, for the purpose of making corresponding interest payments on the applicable Indebtedness Incurred by a Parent Entity, and (ii) if net proceeds of Parent Debt were contributed as a Parent Debt Contribution, payments to a Parent Entity for the purposes of making corresponding interest payments on such Parent Debt (whether directly or indirectly through a Parent Entity); *provided* that, (x) in each case, the Parent Entity applies such payments substantially concurrently with the receipt of such payments and (y) in the case of (ii), such payments to such Parent Entity may only be made to the extent that the net proceeds of the Parent Debt for which the corresponding interest payment is to be made have been contributed to the Senior Secured Notes Issuer as a Parent Debt Contribution; *provided, further*, that any interest payments on Parent Debt pursuant to subclause (ii) may only be made if, at the time such Parent Debt was Incurred by the Parent Entity, the Senior Secured Notes Issuer could have Incurred, or provided a Guarantee for, Indebtedness pursuant to the covenant titled “*Limitation on Indebtedness*” in an aggregate amount equal to the amount of Parent Debt on which interest payments are sought to be made pursuant to subclause (ii); and
- (18) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom),
 - (i) Restricted Payments in an aggregate amount outstanding at any time not to exceed €30 million and
 - (ii) any other Restricted Payment if the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to such Restricted Payment does not exceed 3.25 to 1.00.

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, the Senior Secured Notes Issuer, the Senior Notes Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by an Officer or the Board of Directors of the Senior Secured Notes Issuer acting in good faith.

Limitation on Liens

The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer will not, and the Company will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company) and none of the Security Providers and the Senior Notes Issuer will, directly or indirectly, create, incur or suffer to exist any Lien on the Senior Secured Notes Collateral owned by it, in each case whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “*Initial Lien*”), except (a) in the case of any property or asset that does not constitute Senior Secured Notes Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes and the Senior Secured Notes Indenture (or a Senior Secured Notes Guarantee in the case of Liens of a Senior Secured Notes Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, or in the case of Liens securing Indebtedness Incurred pursuant to clauses (1), (6) or (7) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*,” *pari passu* with (except that such Indebtedness may receive priority in respect of distributions of proceeds of any enforcement of Collateral) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Senior Secured Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under “—*Security—Release of Liens*.”

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 to the Company or pay any Indebtedness or other obligations owed to the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer;
- (B) make any loans or advances to the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer; or
- (C) sell, lease or transfer any of its property or assets to the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer;

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, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility); or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings of those agreements referred to in clauses (a) and (b); *provided* that such amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payments restrictions than those contained in those agreements on the Issue Date, as applicable (as determined in good faith by the Senior Secured Notes Issuer);
- (2) any encumbrances or restrictions existing under or by reason of the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Guarantees, the Senior Notes Indenture, the Senior Notes or the guarantees of the Senior Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;

- (3) 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 was designated a 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 any Restricted Subsidiary or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (3), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;
- (4) 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), (2) or (3) of this paragraph or this clause (4) (an “*Initial Agreement*”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (2) or (3) of this paragraph or this clause (4); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument (i) 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 Senior Secured Notes Issuer) or (ii) are customary in comparable financings and where, in the case of this sub-clause (ii), the Senior Secured Notes Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Company’s ability to make payments of principal or interest on the Senior Secured Notes Proceeds Loan or the Senior Secured Notes Issuer’s ability to make principal or interest payments on the Senior Secured Notes (as determined in good faith by the Senior Secured Notes Issuer);
- (5) 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 Senior Secured Notes Indenture or securing Indebtedness of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or a Restricted Subsidiary permitted under the Senior Secured Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, 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;
- (6) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Secured Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;
- (7) 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;
- (8) provisions in leases, licenses, joint venture agreements and other similar agreements and instruments;
- (9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (10) 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;

- (11) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (12) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” (other than any refinancing of Indebtedness which is subject to clause (4) above) (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Secured Notes (in the good faith determination of the Senior Secured Notes Issuer) than the encumbrances and restrictions contained in the Revolving Credit Facility, the Senior Secured Notes Indenture, the Security Documents and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) where the Senior Secured Notes Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Company’s ability to make payments of principal or interest on the Senior Secured Notes Proceeds Loan or the Senior Secured Notes Issuer’s ability to make principal or interest payments on the Senior Secured Notes as and when they become due or (b) constituting an Additional Intercreditor Agreement;
- (13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Senior Secured Notes Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or
- (14) any encumbrance or restriction existing by reason of any lien permitted under “—*Limitation on Liens*.”

Limitation on Sales of Assets and Subsidiary Stock

The Senior Secured Notes Issuer, the Senior Notes Issuer and the Company will not, and the Company will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Senior Secured Notes Issuer, the Senior Notes Issuer, 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 an Officer or the Board of Directors of the Senior Secured Notes Issuer, of the shares and/or assets subject to such Asset Disposition; and
- (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 Senior Secured Notes Issuer, Senior Notes Issuer, the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition, the Senior Secured Notes Issuer, Senior Notes Issuer, the Company or the applicable Restricted Subsidiary, as the case may be, may apply an amount equal to such Net Available Cash (at the option of such Person):

- (a) (i) to prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*” or any Refinancing Indebtedness in respect thereof 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) (except in the case of any revolving Indebtedness, including but not limited, to the Revolving Credit Facility), the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or such Restricted Subsidiary will be required to retire such Indebtedness or cause the related commitment to be permanently reduced; (ii) unless included in (a)(i), to prepay, repay, purchase or redeem *Pari Passu* Indebtedness that is secured in whole or in part by a Lien on the Senior Secured Notes Collateral which Lien ranks *pari passu* with the Liens securing the Senior Secured Notes and the Senior Secured Notes Guarantees 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, purchase or redemption so long as the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or such Restricted Subsidiary makes an offer on a

pro rata basis to all Holders of the Senior Secured Notes at a purchase price equal to 100% of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Company that is not a Senior Secured Notes Guarantor or any Indebtedness that is secured on assets which do not constitute Senior Secured Notes Collateral (in each case, other than Subordinated Indebtedness of the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor or Indebtedness owed to the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary); or (iv) to purchase the Senior Secured Notes pursuant to an offer to all Holders of Senior Secured Notes at a purchase price in cash equal to at least 100% of the principal amount of the 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 the relevant record date to receive interest due on the relevant interest payment date);

- (b) to the extent the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any Restricted Subsidiary of the Company) 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 pursuant to a commitment approved by the Board of Directors of the Senior Secured Notes Issuer 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;
- (c) to make a capital expenditure 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 any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Senior Secured Notes Issuer 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; or
- (d) any combination of the foregoing;

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer and the Company's Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Senior Secured Notes Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute "*Excess Proceeds*." On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Senior Secured Notes Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant), after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €25 million, the Senior Secured Notes Issuer will be required within ten Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders of Senior Secured Notes and, to the extent the Senior Secured Notes Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior Secured Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Secured Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Secured Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Secured Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Senior Secured Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Senior Secured Notes Issuer, the Company or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the expiration of the 365-day period mentioned above.

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 Senior Secured Notes Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Secured Notes Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Secured Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and Pari Passu Indebtedness, or by such other method as (i) the Senior Secured Notes Trustee and (ii) the trustee, agent or similar representative of such Pari Passu Indebtedness, after consultation with the Senior Secured Notes Issuer, deem fair and appropriate (and in such manner as complies with applicable legal, depositary and exchange requirements). For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Senior Secured Notes 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. The Senior Secured Notes Trustee shall not have any liability in connection with any method elected under this paragraph.

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 Senior Secured Notes Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the 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 (5) Business Days after the termination of the Asset Disposition Offer Period (the “*Asset Disposition Purchase Date*”), the Senior Secured Notes Issuer will purchase the principal amount of Senior Secured Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the “*Asset Disposition Offer Amount*”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Secured Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Senior Secured Notes Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Secured Notes and Pari Passu Indebtedness or portions of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Senior Secured Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Senior Secured Notes Issuer will deliver to the Senior Secured Notes Trustee an Officer’s Certificate stating that such Senior Secured Notes or portions thereof were accepted for payment by the Senior Secured Notes Issuer in accordance with the terms of this covenant. The Senior Secured Notes 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 Senior Secured Notes Issuer for purchase, and the Senior Secured Notes Issuer will promptly issue a new Senior Secured Note (or amend the applicable Global Note), and the Senior Secured Notes Trustee, upon delivery of an Officer’s Certificate from the Senior Secured Notes Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Secured Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Secured Note surrendered; *provided* that each such new Senior Secured Note will be in a principal amount with a minimum denomination of €100,000 and in integral multiples of €1,000 in excess thereof. Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Senior Secured Notes Issuer to the Holder thereof.

For the purposes of clause (2) 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, the Senior Secured Notes Issuer, the Senior Notes Issuer or other liabilities (other than contingent liabilities) recorded on the balance sheet of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer (other than Subordinated Indebtedness of the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer) or Indebtedness of a Restricted Subsidiary or other liabilities (other than contingent liabilities) recorded on the balance sheet of such Restricted Subsidiary and the release of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer 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, the Senior Secured Notes Issuer, the Senior Notes Issuer and each Restricted Subsidiary of the Company are released from any guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Senior Secured Notes Issuer or any Senior Secured Notes Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer 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, as determined in good faith by an Officer or the Board of Directors of the Senior Secured Notes Issuer, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €25 million and 1.5% of Total Assets (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 Senior Secured Notes Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to the Senior Secured Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Senior Secured Notes Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer will not, and the Company will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (any such transaction or series of related transactions being “*Affiliate Transactions*”) involving aggregate value in excess of €7.5 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s length dealings with a Person who is not such an Affiliate;
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €15 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 Senior Secured Notes Issuer resolving that such transaction complies with clause (1) above; and
- (3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €30 million, the Senior Secured Notes Issuer has received a written opinion from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Company, the Senior Secured

Notes Issuer, the Senior Notes Issuer and the Company's Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments,*" any Permitted Payments or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Senior Secured Notes Issuer, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary of the Company or any Parent Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) 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 in the good faith judgment of the Senior Secured Notes Issuer and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering; *provided* that such performance does not involve the payment of fees or commissions to Affiliates and does not involve the payment of underwriting fees, commissions or discounts on behalf of shares sold by Affiliates;
- (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, sellers of goods or services or franchisees, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or

Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the 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 Senior Secured Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable;

- (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 Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount, not to exceed €5 million per fiscal year and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions, divestitures or joint ventures, which payments in respect of this clause (b) are approved in good faith by a majority of disinterested members of the Board of Directors of the Senior Secured Notes Issuer;
- (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;
- (13) any transaction effected as part of a Qualified Receivables Financing;
- (14) the Refinancing; and
- (15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any of its Subsidiaries that is conducted on arm's length terms and provides for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Maintenance of Listing

The Senior Secured Notes Issuer will use its commercially reasonable efforts to list, and maintain the listing, of the Senior Secured Notes on the Euro MTF Market of the Luxembourg Stock Exchange for so long as such Senior Secured Notes are outstanding; *provided* that if at any time the Senior Secured Notes Issuer determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain (prior to the delisting of the Senior Secured Notes, if applicable) and maintain a listing on another recognized stock exchange.

Reports

For so long as any Senior Secured Notes are outstanding, the Company will provide to the Senior Secured Notes Trustee the following reports:

- (1) within 120 days (or in the case of the fiscal year ending February 1, 2015, 150 days) after the end of each fiscal year of the Company beginning with the year ending February 1, 2015, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* 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 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; and (e) a description of material risk factors and material recent developments;

- (2) within 60 days (or in the case of the first fiscal quarter of 2014, 90 days) following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ending April 30, 2014, 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 and cash flow for the most recent year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant fiscal quarter (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); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources, 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 or restructuring, merger or similar transaction, or any change in a senior executive officer of the Company or change in auditors of the Company, or any other material event that the Company announces publicly, a report containing a description of such event.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, no financial information required pursuant to clause (1) above need be audited if not presented on an audited basis by the Company in its financial statements included in the Offering Memorandum and may be presented for the Company if so presented in the Offering Memorandum. At any time with respect to any reporting period, the Company may elect the Parent to become the reporting entity for purposes of this covenant in place of the Company, in which case references to “the Company” in the first, second and third paragraphs of this covenant shall be deemed to refer to the Parent; *provided* that if such an election is made, then the annual and quarterly reports of the Parent provided pursuant to the first paragraph of this covenant shall be accompanied by a description of the material differences, if any, between the financial condition and results of operations of the Company on a consolidated basis and the Parent on a consolidated basis.

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 Group separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) standalone 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, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Senior Secured Notes 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 or (ii) otherwise to provide substantially comparable public 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. In the event that (i) the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such

provisions, for so long as it continues to file the reports required by Section 13 (a) with the SEC or (ii) the Company elects to provide to the Senior Secured Notes Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Company) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of IFRS information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Company will make available to the Senior Secured Notes Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Company will be deemed to have complied with the provisions contained in the preceding four paragraphs.

If and for so long as the Senior Secured 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 Company's organizational documents and the Senior Secured Notes Indenture and the most recent consolidated financial statements published by the Company may be inspected and obtained at the office of the Listing Agent. See "*Listing and General Information*."

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 Company, the Senior Secured Notes Issuer and the Senior Notes Issuer

None of the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer will consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose 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 Company*") (if not the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable) will be a Person organized and existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable) will expressly assume, (a) by supplemental indenture, executed and delivered to the Senior Secured Notes Trustee, in form reasonably satisfactory to the Senior Secured Notes Trustee, all the obligations of the Company or the Senior Notes Issuer under its Senior Secured Notes Guarantee and the Company or the Senior Secured Notes Issuer under the Senior Secured Notes Indenture and the Senior Secured Notes, as applicable, and (b) all obligations of the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer under the Senior Secured Notes Proceeds Loan, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) only in the case of a transaction involving the Company, immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Senior Secured Notes Issuer shall have delivered to the Senior Secured Notes 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 Senior Secured Notes Indenture and that all conditions precedent in the Senior Secured Notes Indenture relating to such consolidation, merger or transfer have been satisfied and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company and that all conditions precedent in the Senior

Secured Notes Indenture relating to such consolidation, merger or transfer have been satisfied (in each case, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Limitation on Indebtedness.*”

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of 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 Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable, under the Senior Secured Notes Indenture, but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Senior Secured Notes 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, notwithstanding clause (4) of the first paragraph of this covenant (which does not apply to transactions referred to in this sentence), (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 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 that is a Senior Secured Notes Guarantor (other than the Senior Notes Issuer) and (c) any Restricted Subsidiary that is not a Senior Secured Notes Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary that is not a Senior Secured Notes Guarantor. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence), the Company, the Senior Secured Notes Issuer or the Senior Notes 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 Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable, reincorporating the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable, in another jurisdiction, or changing the legal form of the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, as applicable.

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 “*Merger and Consolidation*” covenant) shall not apply to (i) any transactions which constitute an Asset Disposition by the Company, if the Company, the Senior Secured Notes Issuer and the Senior Notes Issuer have complied with the covenant described under “—*Limitation on Sales of Assets and Subsidiary Stock*” or (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Company.

The Senior Secured Notes Guarantors

None of the Senior Secured Notes Guarantors (other than the Senior Notes Issuer, and other than a Senior Secured Notes Guarantor whose Senior Secured Notes Guarantee is to be released in accordance with the terms of the Senior Secured Notes Indenture or the Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Senior Secured Notes Guarantor is the surviving corporation),
- (2) 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, or
- (3) permit any Person to merge with or into it unless
 - (A) the other Person is the Company or any Restricted Subsidiary that is a Senior Secured Notes Guarantor or becomes a Senior Secured Notes Guarantor; or

- (B) (1) either (x) a Senior Secured Notes Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Senior Secured Notes Guarantor under its Senior Secured Notes Guarantee and the Senior Secured Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Senior Secured Notes Trustee) and all obligations of the Senior Secured Notes Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or
- (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Senior Secured Notes Guarantor or the sale or disposition of all or substantially all the assets of a Senior Secured Notes Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Senior Secured Notes Indenture and the proceeds therefrom are applied as required by the Senior Secured Notes Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Senior Secured Notes Guarantor (other than the Senior Notes Issuer) or the Company and (b) any Senior Secured Notes Guarantor (other than the Senior Notes Issuer) may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Senior Secured Notes Guarantor (other than the Senior Notes Issuer) or the Company.

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, the Senior Secured Notes Issuer shall notify the Senior Secured Notes Trustee of these events and beginning on that day and continuing until such time, if any, at which the Senior Secured Notes cease to have Investment Grade Status (the “*Reversion Date*”), the provisions of the Senior Secured Notes Indenture summarized under the following captions will not apply to the Senior Secured Notes: “—*Limitation on Restricted Payments*,” “—*Limitation on Indebtedness*,” “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*,” “—*Limitation on Affiliate Transactions*,” “—*Limitation on Sales of Assets and Subsidiary Stock*,” the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and Consolidation*” and “—*Impairment of Security Interest*” and, in each case, any related default provision of the Senior Secured Notes Indenture will cease to be effective and will not be applicable to the relevant Security Providers, the Senior Secured Notes Issuer, the Senior Notes Issuer or 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 relevant Security Providers, Senior Secured Notes Issuer, the Senior Notes Issuer or the Company or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and (i) the “—*Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Senior Secured Notes Indenture other than during the period beginning with the Suspension Event and ending on the Reversion Date, (ii) any transactions prohibited by the covenant described under “—*Limitation on Affiliate Transactions*” entered into after such reinstatement pursuant to an agreement entered into during the continuance of the Suspension Event shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the covenant described under “—*Limitation on Affiliate Transactions*,” (iii) any encumbrance or restriction on the ability of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary to take any action described in clauses (A), (B) and (C) of the first paragraph of the covenant described under “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*” that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (1) or (12) of the second paragraph of the covenant described under “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*” and (iv) all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Senior Secured Notes Issuer’s option, as having been Incurred pursuant to the first paragraph of the covenant described under “—*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 the 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 “—*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 “—*Limitation on Indebtedness*.” The Senior Secured Notes Trustee shall not be obliged to notify holders of a Suspension Event or Reversion Date.

Limitation on Senior Secured Notes Issuer Activities

The Senior Secured Notes Issuer will not:

- (1) engage in any business activity, except any activity (i) reasonably relating to the offering, sale, issuance, incurrence and servicing, purchase, redemption, amendment, exchange, refinancing or retirement of or investment in the Senior Secured Notes, any Additional Notes or other Indebtedness permitted by the terms of the Senior Secured Notes Indenture (including its guarantee of the Senior Notes); (ii) undertaken with the purpose of fulfilling any other obligations under the Senior Secured Notes, any Additional Notes, the Senior Secured Notes Indenture, other Indebtedness or any other obligations permitted by the terms of the Senior Secured Notes Indenture; (iii) directly related or reasonably incidental to the establishment or maintenance of the Senior Secured Notes Issuer’s corporate existence, the acquisition, holding or disposition of assets permitted to be held by it under the Senior Secured Notes Indenture or reasonably related to its function as a finance subsidiary; or (iv) not specifically enumerated above that is immaterial in nature; or
- (2) own any assets or property other than intercompany Indebtedness (including the Senior Secured Notes Proceeds Loan), cash and Cash Equivalents, any Indebtedness of the Senior Secured Notes Issuer or any assets and properties incidental to engaging in the business activities set forth in clause (1) of this covenant and other assets and properties that are immaterial in nature; *provided* that the Senior Secured Notes Issuer may from time to time receive in a transaction otherwise permitted under the Senior Secured Notes Indenture properties and assets (including cash, Cash Equivalents, Temporary Cash Investments, shares of Capital Stock of another Person and Indebtedness and other obligations) for the purpose of transferring such properties and assets to any holding company of the Senior Secured Notes Issuer so long as in any case such further transfer is made promptly by the Senior Secured Notes Issuer and, after giving effect thereto, the Senior Secured Notes Issuer is again in compliance with this clause.

Impairment of Security Interest

The Parent, the Senior Secured Notes Issuer, the Company and any other Senior Secured Notes Guarantor shall not, and the Company 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 Senior Secured Notes 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 Senior Secured Notes Collateral); and the Parent, the Senior Secured Notes Issuer, the Company and any other Senior Secured Notes Guarantor shall not, and the Company shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Senior Secured Notes Trustee and the Holders and/or the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien in any of the Senior Secured Notes Collateral; *provided* that (a) the Security Providers, the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and the Company’s Restricted Subsidiaries may Incur Permitted Collateral Liens and (b) the Senior Secured Notes Collateral may be discharged, amended, extended, renewed, restated, modified, supplemented, replaced or released in accordance with the Senior Secured Notes Indenture, the applicable Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided, however*, that, subject to the foregoing proviso, the Security Documents may be discharged, amended, extended, renewed, restated, modified, supplemented, replaced or released to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) provide for the release of any Security Interest on any properties and assets constituting Senior Secured Notes Collateral from the Lien of the Security Documents; *provided* that such release is followed by the substantially concurrent retaking of a Lien of at least equivalent priority over the same properties and assets securing the Senior Secured Notes or any Senior Secured Notes Guarantee; (iv) add to the Senior Secured Notes Collateral; (v) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement; (vi) evidence the succession of another Person to the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor and the assumption by such successor of the obligations under the Indenture, the Senior Secured Notes, the applicable Senior Secured Notes Guarantee and the

Security Documents, in each case, in accordance with “—*Merger and Consolidation*;” or (vii) evidence and provide for the acceptance of the appointment of a successor trustee or Security Agent; *provided that*, contemporaneously with any such action in clauses (ii) and (iii), the Senior Secured Notes Issuer delivers to the Senior Secured Notes Trustee, (1) a solvency opinion, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee from an Independent Financial Advisor confirming the solvency of the person granting such Security Interest, after giving effect to any transactions related to such discharge, amendment, extension, renewal, restatement, modification, supplement, replacement or release, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such discharge, amendment, extension, renewal, restatement, modification, supplement, replacement or release, and (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Senior Secured Notes Trustee, confirming that, after giving effect to any transactions related to such discharge, amendment, extension, renewal, restatement, modification, supplement, replacement or release, the Lien or Liens created under the Security Documents, so discharged, amended, extended, renewed, restated, modified, supplemented, replaced or released are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such discharge, amendment, extension, renewal, restatement, modification, supplement, replacement or release. In the event that the Senior Secured Notes Issuer complies with the requirements of this covenant, the Senior Secured Notes Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Intercreditor Agreements

The Senior Secured Notes Indenture will provide that, at the request of the Senior Secured Notes Issuer, in connection with the Incurrence by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any Restricted Subsidiary of any Indebtedness that is permitted to share the Senior Secured Notes Collateral pursuant to the definition of Permitted Collateral Lien, the Senior Secured Notes Issuer, the Company, the relevant Senior Secured Notes Guarantors, the relevant Security Providers, the Senior Secured Notes Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement, or a restatement, amendment or other modification of an existing intercreditor agreement (an “*Additional Intercreditor Agreement*”), on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including with respect to the subordination, payment blockage, limitation on enforcement and release of Senior Secured Notes Guarantees, priority and release of any Security Interest in respect of the Senior Secured Notes Collateral; *provided, further*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Senior Secured Notes Trustee or the Security Agent or adversely affect the personal rights, duties, liabilities or immunities of the Senior Secured Notes Trustee and the Security Agent under the Senior Secured Notes Indenture or the Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Senior Secured Notes Collateral pursuant to the definition of Permitted Collateral Lien).

At the direction of the Senior Secured Notes Issuer and without the consent of the Holders, the Senior Secured Notes Trustee and the Security Agent will from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) add Senior Secured Notes Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iii) further secure the Senior Secured Notes (including Additional Senior Secured Notes); (iv) make provision for equal and ratable grants of Liens on the Senior Secured Notes Collateral to secure Additional Senior Secured Notes or to implement any Permitted Collateral Liens; (v) subject to the preceding paragraph, to provide for additional Indebtedness (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Secured Notes) to the extent permitted under the Senior Secured Notes Indenture) or any other obligations that are permitted by the terms of the Senior Secured Notes Indenture to be Incurred and secured by a Lien on the Senior Secured Notes Collateral on a senior, *pari passu* or junior basis with the Liens securing the Senior Secured Notes or the Senior Secured Notes Guarantees; (vi) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement; (vii) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof;

(viii) increase the amount of the Credit Facilities covered by any such agreement, the Incurrence of which is not prohibited by the Senior Secured Notes Indenture; or (ix) make any other change thereto that does not adversely affect the rights of the Holders of the Senior Secured Notes in any material respect. The Senior Secured Notes Issuer will not otherwise direct the Senior Secured Notes Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or, if applicable, any Additional 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 Senior Secured Notes Issuer may only direct the Senior Secured Notes Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Senior Secured Notes Trustee or Security Agent or, in the opinion of the Senior Secured Notes Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

Each Holder of a Senior Secured Note, by accepting such Senior Secured Note, will be deemed to have:

- (1) appointed and authorized the Senior Secured Notes Trustee and the Security Agent from time to time to give effect to such provisions;
- (2) authorized each of the Senior Secured Notes Trustee and the Security Agent from time to time to become a party to any additional intercreditor arrangements described above;
- (3) agreed to be bound by such provisions and the provisions of any additional intercreditor arrangements described above; and
- (4) irrevocably appointed the Senior Secured Notes Trustee and the Security Agent to act on its behalf from time to time to enter into and comply with such provisions and the provisions of any additional intercreditor arrangements described above, in each case, without the need for the consent of the Holders.

The Senior Secured Notes Indenture will also provide that, in relation to the Intercreditor Agreement or an Additional Intercreditor Agreement, the Senior Secured Notes Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments*.”

Additional Senior Secured Notes Guarantees

No Restricted Subsidiary (other than a Senior Secured Notes Guarantor) shall Guarantee the payment of, assume or in any manner become obligated under or with respect to any Indebtedness of the Company, the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor unless such Restricted Subsidiary is or becomes an Additional Senior Secured Notes Guarantor on the date on which such other Guarantee or Indebtedness is Incurred (or as soon as reasonably practicable thereafter) and, if applicable, executes and delivers to the Senior Secured Notes Trustee a supplemental indenture substantially in the form attached to the Senior Secured Notes Indenture pursuant to which such Restricted Subsidiary will provide an Additional Senior Secured Notes Guarantee (which Additional Senior Secured Notes Guarantee shall be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Indebtedness).

Notwithstanding the foregoing paragraphs in this covenant:

- (1) an Additional Senior Secured Notes Guarantor’s Additional Senior Secured Notes Guarantee shall not be required to the extent it could result in (A) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, transfer pricing rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (B) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (C) any material cost, expense, liability or obligation (including with respect to any Taxes but excluding any obligation under the Senior Secured Notes Guarantee itself) that cannot be avoided by commercially reasonable measures available to the Senior Secured Notes Issuer and the Company other than reasonable out of pocket expenses; or (D) any inconsistency with the Agreed Security Principles (but, in the case of (A), each of the Senior Secured Notes Issuer, the Company and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome

the relevant legal limitation and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit); and

- (2) for so long as it is not permissible under applicable law or regulation for a Restricted Subsidiary to become an Additional Senior Secured Notes Guarantor, such Restricted Subsidiary need not become an Additional Senior Secured Notes Guarantor (but, in such a case, each of the Senior Secured Notes Issuer, the Company and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the relevant legal prohibition precluding the giving of the Guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such Guarantee at such time (and to the extent) that it thereafter becomes permissible).

The first paragraph of this covenant shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the Guarantee of Indebtedness of the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor; (2) Guarantees by any Restricted Subsidiary of Indebtedness that refinances Indebtedness which benefited from a Guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing; (3) Guarantees by any Restricted Subsidiary that existed at the time such Person became a Restricted Subsidiary if the Guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and the terms of such Guarantee prohibit the relevant Restricted Subsidiary from becoming an Additional Senior Secured Notes Guarantor; (4) Guarantees by any Restricted Subsidiary of Indebtedness Incurred under the Revolving Credit Facility which are in effect on the Issue Date; and (5) Guarantees given by any Restricted Subsidiary to a bank or trust company incorporated in any member state of the European Union as of the date of the Senior Secured Notes Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such Guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Company's benefit or that of any Restricted Subsidiary.

Each such Guarantee will be limited as necessary to recognize certain defenses generally available to Guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Each Senior Secured Notes Guarantee shall be released in accordance with the provisions of the Senior Secured Notes Indenture and the Intercreditor Agreement described under “—General—The Senior Secured Notes Guarantees” and “Description of Other Indebtedness—Intercreditor Agreement.”

Payments for Consent

The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer will not, and the Company will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Secured Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Secured Notes Indenture or the Senior Secured Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Secured Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer and the Company's Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Secured Notes Indenture or the Senior Secured Notes, to exclude holders of Senior Secured Notes in any jurisdiction where (a) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (b) the payment of the consideration therefor would require the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any of the Company's Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Senior Secured Notes Issuer in its sole discretion determines (acting in good faith) (x) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (y) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Events of Default

Each of the following is an “*Event of Default*” under the Senior Secured Notes Indenture:

- (1) default in any payment of interest on any Senior Secured Note issued under the Senior Secured Notes Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Senior Secured Notes Indenture when due at its stated maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Senior Secured Notes Issuer, the Senior Secured Notes Guarantors, the Company or any of its Restricted Subsidiaries to comply for 30 days after notice by the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes with any of its 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 any Security Provider, the Senior Secured Notes Issuer, the Company or any of its Restricted Subsidiaries to comply for 60 days after notice by the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes with its other agreements contained in the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and Security Documents;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or a Restricted Subsidiary whether such Indebtedness or Senior Secured Notes Guarantee now exists, or is created after the Issue Date, which default:
 - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (“*payment default*”); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the “*cross acceleration provision*”),
and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25 million or more;
- (6) certain events of bankruptcy, insolvency or court protection of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company, a Security Provider or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company), would constitute a Significant Subsidiary (the “*bankruptcy provisions*”);
- (7) failure by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25 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 shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture) with respect to Senior Secured Notes Collateral having a fair market value in excess of €35 million for any reason other than the satisfaction in full of all obligations under the Senior Secured Notes Indenture or the release of any such Security Interest in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or any grantor of a Lien over the Senior Secured Notes Collateral shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days (the “*security default provisions*”); and

- (9) any Senior Secured Notes Guarantee of the Company, the Senior Notes Issuer or a Significant Subsidiary (or a group of Restricted Subsidiaries that are Senior Secured Notes Guarantors that, taken together (as of the latest audited consolidated financial statements of the Company) would constitute a Significant Subsidiary) ceases to be in full force and effect (other than in accordance with the terms of such Senior Secured Notes Guarantee or the Senior Secured Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Senior Secured Notes Guarantor denies or disaffirms in writing its obligations under its Senior Secured Notes Guarantee and any such Default continues for 10 days (the “*Guarantee provisions*”).

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Senior Secured Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture notify the Senior Secured Notes Issuer of the default and, with respect to clauses (3), (4), (5) and (7) the Senior Secured Notes Issuer does not cure such default within the time specified in clauses (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), of which a Responsible Officer of the Senior Secured Notes Trustee is informed in writing, occurs and is continuing, the Senior Secured Notes Trustee by notice to the Senior Secured Notes Issuer or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture by written notice to the Senior Secured Notes Issuer and the Senior Secured Notes Trustee, may, and the Senior Secured Notes Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes under the Senior Secured Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. 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 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 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 Senior Secured Notes Trustee or any Holders.

Holders of the Senior Secured Notes may not enforce the Senior Secured Notes Indenture or the Senior Secured Notes except as provided in the Senior Secured Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior Secured Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Senior Secured Notes Indenture relating to the duties of the Senior Secured Notes Trustee, if an Event of Default, of which a Responsible Officer of the Senior Secured Notes Trustee has been informed in writing, occurs and is continuing, the Senior Secured Notes Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Senior Secured Notes Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal, interest or premium, if any,

when due, no Holder may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

- (1) such Holder has previously given the Senior Secured Notes Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in aggregate principal amount of the outstanding Senior Secured Notes have requested the Senior Secured Notes Trustee to pursue the remedy;
- (3) such Holders have offered the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, security and/or indemnity (including by way of pre-funding) satisfactory to it against any loss, liability or expense;
- (4) the Senior Secured Notes Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Senior Secured Notes have not given the Senior Secured Notes Trustee a direction that, in the opinion of the Senior Secured Notes 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 Senior Secured Notes Trustee or of exercising any trust or power conferred on the Senior Secured Notes Trustee.

The Senior Secured Notes Indenture will provide that, in the event an Event of Default, of which a Responsible Officer of the Senior Secured Notes Trustee has been informed in writing, has occurred and is continuing, the Senior Secured Notes 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 Senior Secured Notes Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes Indenture or that the Senior Secured Notes Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Senior Secured Notes Trustee in personal liability. Prior to taking any action under the Senior Secured Notes Indenture, the Senior Secured Notes Trustee will be entitled to receive indemnification and/or (including by way of pre-funding) security satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Senior Secured Notes Indenture will provide that if a Default occurs and is continuing and a Responsible Officer of the Senior Secured Notes Trustee is informed in writing of such occurrence by the Senior Secured Notes Issuer, the Senior Secured Notes Trustee must give notice of the Default to the Holders within 60 days after being notified by the Senior Secured Notes 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 Senior Secured Notes Trustee may withhold notice if and so long as a committee of trust officers of the Senior Secured Notes Trustee in good faith determines that withholding notice is in the interests of the Holders. The Senior Secured Notes Issuer is required to deliver to the Senior Secured Notes 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 Senior Secured Notes Issuer is required to deliver to the Senior Secured Notes Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Senior Secured Notes Issuer is taking or proposes to take in respect thereof.

The Senior Secured Notes provide for the Senior Secured Notes Trustee to take action on behalf of the Holders in certain circumstances, but only if Holders have offered to the Senior Secured Notes Trustee, and the Senior Secured Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to it in its sole discretion. It may not be possible for the Senior Secured Notes Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Senior Secured Notes Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of 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, 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, Senior Secured Notes). However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Senior Secured Notes affected, (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes), an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior Secured Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Senior Secured Note;
- (3) reduce the principal of or extend the Stated Maturity of any Senior Secured Note;
- (4) reduce the premium payable upon the redemption of any Senior Secured Note or change the time at which any Senior Secured Note may be redeemed, in each case as described above under “—*Optional Redemption*” or “—*Redemption for Taxation Reasons*,”
- (5) make any Senior Secured Note payable in money other than that stated in the Senior Secured Note;
- (6) impair the right of any Holder to 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 Senior Secured Notes Indenture described under “—*Withholding Taxes*” that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release all or substantially all the Security Interest granted for the benefit of the Holders in the Senior Secured Notes Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Senior Secured Notes Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Secured Notes (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release any Senior Secured Notes Guarantor from any of its obligations (or modify such obligations in any manner adverse to the Holders) under any Senior Secured Notes Guarantee or the Senior Secured Notes Indenture, as applicable, except in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders’ consent described in this sentence.

Notwithstanding the foregoing, if (a) any amendment, waiver or other modification affects the rights of the Fixed Rate Notes and the rights of the Floating Rate Notes, the consent of a majority or 90%, as the case may be, in aggregate principal amount of the Senior Secured Notes shall be required to consent thereto and (b) any amendment, waiver or other modification affects only the rights of the Fixed Rate Notes or only the rights of the Floating Rate Notes, the consent of a majority or 90%, as the case may be, in aggregate principal amount of the Fixed Rate Notes or Floating Rate Notes, as applicable, shall be required to consent thereto (and in such case, the consent of a majority or 90%, as the case may be, in aggregate principal amount of the unaffected series of Notes shall not be required to consent thereto). Notwithstanding the foregoing and for the avoidance of doubt, it is understood and agreed that (a) any matter described in clause (1), (2), (3), (4), (5), (6), (7) and (9) above that by its terms applies to the Fixed Rate Notes shall require the consent of 90% of the holders of the Fixed Rate Notes in order for it to be binding on all Holders of the Fixed Rate Notes and (b) any matter described in clause (1), (2), (3), (4), (5), (6), (7) and (9) above that by its terms applies to the Floating Rate Notes shall require the consent of 90% of the holders of the Floating Rate Notes in order for it to be binding on all Holders of the Floating Rate Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Senior Secured Notes Issuer, the Senior Secured Notes Trustee and the Security Agent, as applicable, may amend or supplement any Senior Secured Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;

- (2) provide for the assumption by a successor Person of the obligations of the Senior Secured Notes Issuer or any Senior Secured Notes Guarantor under any Senior Secured Notes Document;
- (3) add to the covenants or provide for a Senior Secured Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Senior Secured Notes Trustee or the Holders or does not adversely affect the rights or benefits to the Senior Secured Notes Trustee or any of the Holders in any material respect under the Senior Secured Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Senior Secured Notes Issuer) for the issuance of Additional Senior Secured Notes;
- (6) to provide for any Restricted Subsidiary to provide a Senior Secured Notes Guarantee in accordance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” to add Senior Secured Notes 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 Senior Secured Notes Guarantee or Lien (including the Senior Secured Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking or amendment is permitted under the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Secured Notes Indenture, the Senior Secured Notes Guarantees, the Security Documents or the Senior Secured Notes to any provision of this “*Description of the Senior Secured Notes*” to the extent that such provision in this Description of the Senior Secured Notes was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, a Senior Secured Notes Guarantee, the Security Documents or the Senior Secured Notes;
- (8) to evidence and provide for the acceptance and appointment under the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Senior Secured Notes Trustee or Security Agent to any Senior Secured Notes Document; or
- (9) as provided in “—*Certain Covenants—Additional Intercreditor Agreements*” and “—*Certain Covenants—Impairment of Security Interest*.”

In formulating its decision on such matters, the Senior Secured Notes Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer’s Certificates and Opinions of Counsel, which shall be conclusive.

The consent of the Holders is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Secured Notes Indenture by any Holder of Senior Secured Notes given in connection with a tender of such Holder’s Senior Secured Notes will not be rendered invalid by such tender.

If and for so long as the Senior Secured Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Senior Secured Notes 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 principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured Notes owned by the Senior Secured Notes Issuer, the Senior Notes Issuer, 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 Senior Secured Notes Issuer at any time may terminate all the relevant Security Providers', the Company's, the Senior Notes Issuer's, its and each Senior Secured Notes Guarantor's obligations under the Senior Secured Notes and the Senior Secured Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Senior Secured Notes Trustee and the Security Agent and the obligations of the Senior Secured Notes 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 Senior Secured Notes Issuer exercises its legal defeasance option, the Security Documents will terminate (other than with respect to the defeasance trust).

The Senior Secured Notes Issuer at any time may terminate the relevant Security Providers', the Company's, the Senior Notes Issuer's, its and each Restricted Subsidiary's 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 Senior Secured Notes Issuer, the Senior Notes 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 Senior Secured Notes Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Senior Secured Notes Issuer exercises its legal defeasance option, payment of the Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Senior Secured Notes Issuer exercises its covenant defeasance option with respect to the Senior Secured Notes, payment of the Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer*"), (4), (5), (6), (7), (8) or (9) under "*—Events of Default*" above.

In order to exercise either defeasance option, the Senior Secured Notes Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Senior Secured Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Senior Secured Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Senior Secured Notes Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders and beneficial owners of the Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (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 Senior Secured Notes Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Senior Secured Notes 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) all other documents or other information that the Senior Secured Notes Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Senior Secured Notes Indenture, and the rights of the Senior Secured Notes Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Secured Notes, as expressly provided for in the Senior Secured Notes Indenture) as to all outstanding Senior Secured Notes when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured Notes for which provision for payment was previously made and thereafter the funds have been released to the Senior Secured Notes Issuer) have been delivered to the Senior Secured Notes Trustee for cancellation; or (b) all Senior Secured Notes not previously delivered to the Senior Secured Notes 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 Senior Secured Notes Trustee for the giving of notice of redemption by the Senior Secured Notes Trustee in the name, and at the expense, of the Senior Secured Notes Issuer; (2) the Senior Secured Notes Issuer has deposited or caused to be deposited with the Senior Secured Notes Trustee, cash in euro 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 Senior Secured Notes 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 Senior Secured Notes Issuer has paid or caused to be paid all other sums payable (i) under the Senior Secured Notes Indenture and (ii) to the Senior Secured Notes Trustee under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; (4) the Senior Secured Notes Issuer has delivered to the Senior Secured Notes Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Secured Notes Indenture relating to the satisfaction and discharge of the Senior Secured Notes Indenture have been complied with; and (5) the Senior Secured Notes Issuer has delivered irrevocable instructions under the Senior Secured Notes Indenture to apply the deposited money toward the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be; *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, manager, officer, employee, incorporator or shareholder of the Security Providers or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Security Providers, the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any Restricted Subsidiary under the Senior Secured Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Listing and General Information

Application has been made to list the Senior Secured Notes on the Official List of the Luxembourg Stock Exchange and to admit the Senior Secured Notes to trading on the Euro MTF Market. The Senior Secured Notes Issuer may also choose to list on another recognized stock exchange. There can be no assurance that the application to list the Senior Secured Notes on the Euro MTF Market of the Luxembourg Stock Exchange and to admit the Senior Secured Notes to trading on the Euro MTF Market will be approved, and settlement of the Senior Secured Notes is not conditioned on obtaining this listing. If and so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, the Senior Secured Notes Issuer will maintain a listing, paying and transfer agent in Luxembourg with respect to the Senior Secured Notes. See "*Certain Covenants—Maintenance of Listing.*"

If and for so long as the Senior Secured Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Company's annual audited consolidated and unconsolidated financial statements, the

Company's unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Company.

Concerning the Senior Secured Notes Trustee and certain agents

Citibank, N.A., London Branch is to be appointed as Senior Secured Notes Trustee under the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that, except during the continuance of an Event of Default, of which a Responsible Officer of the Senior Secured Notes Trustee has been informed in writing, the Senior Secured Notes Trustee will perform only such duties as are set forth specifically in the Senior Secured Notes Indenture. During the existence of an Event of Default, of which a Responsible Officer of the Senior Secured Notes Trustee has been informed in writing, the Senior Secured Notes Trustee will exercise such of the rights and powers vested in it under the Senior Secured Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Senior Secured Notes Trustee to take or refrain from taking any action enumerated in the Senior Secured Notes Indenture will not be construed as an obligation or duty. The Holders of a majority in aggregate principal amount of the then outstanding Senior Secured Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Senior Secured Notes Trustee on behalf of the Holders, subject to certain exceptions.

The Senior Secured Notes Issuer shall deliver written notice to the Senior Secured Notes Trustee as soon as reasonably practicable, but not later than 30 days of becoming aware of the occurrence of a Default or Event of Default. The Senior Secured Notes Indenture will impose certain limitations on the rights of the Senior Secured Notes Trustee, should it become a creditor of Senior Secured Notes Issuer or the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Senior Secured Notes Trustee will be permitted to engage in other transactions with the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and its Affiliates and Subsidiaries.

Any removal or resignation of the Senior Secured Notes Trustee shall not become effective until the acceptance of appointment by the successor trustee. The Senior Secured Notes Indenture will contain provisions for the indemnification and/or security (including by way of pre-funding) of the Senior Secured Notes Trustee by the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors for any loss, liability, taxes or expenses Incurred without gross negligence, wilful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Senior Secured Notes Indenture.

Notices

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, if and for so long as any of the Senior Secured Notes are listed on the Luxembourg Stock Exchange and the rules of such 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 (www.bourse.lu). In addition, for so long as any Senior Secured Notes are represented by Global Notes, all notices to Holders 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. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given, on such date, as the Senior Secured Notes Trustee may approve.

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 Senior Secured Notes Issuer or any Senior Secured Notes Guarantor for the payment of principal, or premium, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Senior Secured Notes Issuer or any Senior Secured Notes Guarantor for the payment of interest on the Senior Secured Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

Euro is the sole currency of account and payment for all sums payable by the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors under or in connection with the Senior Secured Notes and the Senior Secured Notes Guarantees, as the case may be, 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 Senior Secured Notes Issuer, any Senior Secured Notes Guarantor or otherwise by any Holder or by the Senior Secured Notes Trustee, in respect of any sum expressed to be due to it from the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor will only constitute a discharge to the Senior Secured Notes Issuer or such Senior Secured Notes 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 Senior Secured Notes Trustee under any Senior Secured Note, the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors will indemnify them against any loss sustained by such recipient or the Senior Secured Notes Trustee as a result. In any event, the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors will indemnify the recipient or the Senior Secured Notes 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 Senior Secured Notes Trustee to certify in a manner reasonably satisfactory to the Senior Secured Notes Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Senior Secured Notes Issuer's and the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Guarantee or to the Senior Secured Notes 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 substantially all the assets of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors are located outside the United States, any judgment obtained in the United States against the Senior Secured Notes Issuer or any Senior Secured Notes Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Secured Notes or the Senior Secured Notes 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 Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes Guarantees, the Senior Secured Notes Issuer and each Senior Secured Notes Guarantor will, in the Senior Secured Notes Indenture, appoint an agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Senior Secured Notes Indenture, the Senior Secured Notes and the Senior Secured Notes 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 Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

Set forth below are certain defined terms used in the Senior Secured Notes Indenture. Reference is made to the Senior Secured Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“Acquired 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 a 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 and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agreed Security Principles” means the Agreed Security Principles attached to the Revolving Credit Facility Agreement, as interpreted and applied in good faith by the Company.

“Applicable Premium” means, (a) with respect to any Fixed Rate Note, the greater of: (A) 1% of the principal amount of such Fixed Rate Note; and (B) the excess (to the extent positive) of: (i) the present value at such redemption date of (x) the redemption price of such Senior Secured Note at June 15, 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under “—Optional Redemption” (excluding accrued but unpaid interest to the redemption date), plus (y) all required interest payments due on such Fixed Rate Note to and including June 15, 2016 (excluding accrued but unpaid interest to the redemption date), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over (ii) the outstanding principal amount of such Fixed Rate Note, as calculated by the Senior Secured Notes Issuer or on behalf of the Senior Secured Notes Issuer by such Person as the Senior Secured Notes Issuer shall designate; and (b) with respect to any Floating Rate Note, the greater of (A) 1% of the principal amount of such Floating Rate Note at such time and (B) the excess (to the extent positive) of: (i) the present value at such time of (x) the principal amount of such Floating Rate Note at such time, plus (y) any required interest payments due on such Floating Rate Note through and including June 15, 2015 (assuming that the rate of interest on

the Floating Rate Notes for the period from the redemption date through June 15, 2015 will equal the rate of interest on the Floating Rate Notes in effect on the date on which the applicable notice of redemption is given) (excluding accrued but unpaid interest to the date of redemption), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over (ii) the outstanding principal amount of such Floating Rate Note, as calculated by the Senior Secured Notes Issuer or on behalf of the Senior Secured Notes Issuer by such Person as the Senior Secured Notes Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Senior Secured Notes Trustee or Paying Agent, nor shall the Senior Secured Notes Trustee or Paying Agent have any liability related thereto.

“*Asset Disposition*” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock 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;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation*” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the 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 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;
- (8) the granting of Liens not prohibited by the covenant described above under “—*Certain Covenants—Limitation on Liens*”;
- (9) 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;
- (10) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (11) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (12) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (13) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (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;
- (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 Senior Secured Notes Indenture;
- (18) any sale or disposition of stores not to exceed, in the aggregate, €10 million in each fiscal year;
- (19) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Company shall certify that in its opinion, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole);
- (20) a disposition that is made in connection with the establishment of a joint venture or sales, transfers and other dispositions of Investments in joint ventures to the extent required by or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or other disposition is applied in accordance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;”
- (21) a disposition that is made in connection with the factoring or discounting of vendor loans to franchisees in an aggregate principal amount not to exceed €10 million; and
- (22) 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 an Officer or the Board of Directors of the Company) of less than the greater of €10 million and 0.5% of Total Assets.

“*Associate*” means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Company or any Restricted Subsidiary of the Company.

“*Board of Directors*” means (1) with respect to the Senior Secured Notes Issuer or any corporation, the board of directors or managers or the supervisory board, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Secured Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“*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 Senior Secured Notes Issuer in good faith)) most nearly equal to the period from the redemption date to June 15, 2015, in the case of Floating Rate Notes, or June 15, 2016, in the case of Fixed Rate Notes; *provided, however*, that if the period from the redemption date to June 15, 2015, in the case of Floating Rate Notes, or June 15, 2016, in the case of Fixed Rate Notes is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to June 15, 2015, in the case of Floating Rate Notes, or June 15, 2016, in the case of Fixed Rate Notes is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in Amsterdam, The Netherlands or London, United Kingdom are authorized or required by law to close.

“*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, and the amount of Indebtedness represented by such obligation will be the amount of such obligation that is required to be capitalized at the time any determination is to be made in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, in each case, 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), 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 Revolving Credit Facility 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 a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia 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 a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (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.

“*Change of Control*” means:

- (1) the Senior Secured Notes Issuer becomes aware of (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or

indirectly, of more than 50% of the total voting power of the Voting Stock of the Company; *provided* that for the purposes of this clause any Voting Stock of which any Permitted Holder is the “beneficial owner” (as so defined) (other than deemed beneficial ownership derived from membership in a group) shall not be included in any Voting Stock of which any such person or group is the “beneficial owner” (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has the sole voting power with respect to that Voting Stock;

- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders; or
- (3) the Parent fails to own directly or indirectly 100% of the issued and outstanding Voting Stock of the Senior Secured Notes Issuer, excluding (i) treasury shares and (ii) directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Parent or a Wholly Owned Subsidiary of the Parent.

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 thereof.

“Code” means the United States Internal Revenue Code of 1986, as amended, as of the Issue Date.

“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.

“Company Proceeds Loan” means any loan agreement entered into between a Parent Entity and the Company pursuant to which the Parent Entity lends to the Company the net proceeds of any Indebtedness Incurred by the Parent Entity; *provided* that (i) the principal amount of, and interest rate on, such Company Proceeds Loan will not be greater than the principal amount of, and interest rate on, the Indebtedness Incurred by the Parent Entity that funded such Company Proceeds Loan (except to the extent a reasonable margin is required by law), as such Indebtedness is amended, replaced or otherwise refinanced from time to time and (ii) such Company Proceeds Loan shall be subordinated to the Senior Secured Notes in right of payment to the Senior Secured Notes in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement.

“Company” means HEMA B.V. and any successor thereto.

“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) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization and impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Senior Secured Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the Refinancing (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Company;
- (6) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent not prohibited by the covenant described under “—Certain Covenants—Limitation on Affiliate Transactions;”
- (7) any income or charge attributable to a post-employment benefits scheme other than the current service costs attributable to such scheme;
- (8) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

- (9) (a) any one-off charge in respect of the establishment of, or opening of, new distribution centers, stores or depots or in respect of brand or banner launch or re-launch costs and (b) any net loss realized upon the sale, abandonment or other disposition of any store, less any net gain realized upon any such sale, abandonment or other disposition; and
- (10) other non-cash charges, write downs or items reducing Consolidated Net Income or other items classified by the Company as non-cash exceptional items less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (15) of the definition of Consolidated Net Income).

“*Consolidated Financial Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the sum of:

- (1) consolidated net interest income/expense of the Group related to Indebtedness (including (a) amortization of debt discount, (b) all recurring commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any pension liability interest cost, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));
- (2) dividends or other distributions in respect of all Disqualified Stock of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company; and
- (3) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (17) of “—*Certain Covenants—Limitation on Restricted Payments—Permitted Payments.*”

“*Consolidated Income Taxes*” means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding Taxes, corporation Taxes, trade Taxes and franchise Taxes) of any member of the Group whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

“*Consolidated Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense and similar charges of any member of the Group, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations and the interest component of deferred payment obligations;
- (2) amortization of debt discount, amortization of debt issuance costs, fees, premium and expenses and the expensing of any financing fees;
- (3) non-cash interest expense;
- (4) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments) and foreign currency losses and any Receivables Fees);
- (5) fees, charges, commissions or discounts associated with financings, payments, guarantees, letters of credit and Hedging Obligations or other derivative instruments;
- (6) any interest charges reflected in respect of accounting for post-employment benefit schemes;
- (7) dividends or other distributions in respect of all Disqualified Stock of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or a subsidiary of the Company;
- (8) the consolidated interest expense that was capitalized during such period; and
- (9) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include,

without double counting, all amounts paid pursuant to clause (17) of “—*Certain Covenants—Limitation on Restricted Payments—Permitted Payments.*”

“*Consolidated Leverage*” means the sum of the aggregate outstanding Indebtedness of the Group (excluding Hedging Obligations).

“*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; immediately preceding the date of determination; *provided, however*, that the *pro forma* calculation of the Consolidated Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*,” *provided, further, 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, a member of the Group 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 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, a member of the Group (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, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period;
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into a member of the Group 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 a member of the Group since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period; and
- (4) solely for the purposes of making the determination pursuant to “*Specified Change of Control Event*,” Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect to such event constituting a “*Specified Change of Control Event*,” including anticipated synergies and expenses and cost savings as if such event had 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 accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies as though the full effect of the synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by a member of the Group as though such cost savings programs had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost reductions and synergies and cost savings are reasonably anticipated to be realized within 18 months after the consummation of the cost savings program, any operational change or the Purchase or Sale which is

expected to result in such anticipated expense and cost reductions and 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; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period. For the purpose of calculating *pro forma* effect pursuant to clause (2) above, the definition of Fixed Charge Coverage Ratio and for the first paragraph and clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” as well as clause (3) of the first paragraph of the covenant described under “—*Certain Covenants—Merger and Consolidation—The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer*,” *pro forma* effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Group 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 the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or 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 a member of the Group 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 (other than a Senior Secured Notes Guarantor) 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 Company by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes or the Senior Secured Notes Indenture, and (c) 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 or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to a member of the Group 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, abandonment or other disposition of any asset or disposed operations of any member of the Group (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, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance;
- (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;

- (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) 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;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of any member of the Group owing to a member of the Group;
- (11) any effects of purchase accounting including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to a member of the Group), as a result of any consummated acquisition (either prior to or after the Issue Date) or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
- (12) any goodwill or other intangible asset impairment, charge or write-off;
- (13) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;
- (14) consolidated depreciation and amortization expense to the extent in excess of net capital expenditures for such period, and Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and
- (15) to the extent covered by insurance and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

“*Consolidated Net Leverage*” means the sum of the aggregate outstanding Indebtedness of the Group (excluding Hedging Obligations), less cash and Cash Equivalents, as of the relevant date of calculation on a consolidated basis on the basis of IFRS; *provided* that cash shall not be deducted that is the proceeds of Indebtedness in respect of which the calculation of Consolidated Net Leverage is being made.

“*Consolidated Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the 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; immediately preceding the date of determination; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*,” *provided, further, 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, a member of the Group 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 Net 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 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, a member of the Group (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, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period;
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into a member of the Group 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 a member of the Group since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period; and
- (4) solely for the purposes of making the determination pursuant to “*Specified Change of Control Event*,” Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect to such event constituting a “*Specified Change of Control Event*,” including anticipated synergies and expenses and cost savings as if such event had 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 accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies as though the full effect of the synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by a member of the Group as though such cost savings programs had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost reductions and synergies and cost savings are reasonably anticipated to be realized within 18 months after the consummation of the cost savings program, any operational change or the Purchase or Sale which is expected to result in such anticipated expense and cost reductions and 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; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period. For the purpose of calculating *pro forma* effect pursuant to clause (2) above, the definition of Fixed Charge Coverage Ratio and for the first paragraph and clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” as well as clause (3) of the first paragraph of the covenant described under “—*Certain Covenants—Merger and Consolidation—The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer*,” *pro forma* effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

“*Consolidated Senior Secured Net Leverage Ratio*” means the Consolidated Net Leverage Ratio, but calculated by excluding all Indebtedness other than Senior 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 Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility 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 which otherwise qualifies as a “*Credit Facility*” (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.

“*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 an Officer or the Board of Directors of the Senior Secured Notes Issuer) of non-cash consideration received by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Designated Preference Shares*” means, with respect to the Company or any Parent Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer 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 first 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 Senior Secured Notes Issuer, the Senior Notes Issuer, 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 Senior Secured Notes 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 a public or private sale of (x) Capital Stock of the Company or (y) Capital Stock or other securities of a Parent Entity, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Company or any of its Restricted Subsidiaries, in each case other than:

- (1) Disqualified Stock or Designated Preference Shares;
- (2) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;
- (3) any such sale that constitutes an Excluded Contribution or a Parent Debt Contribution; and
- (4) any such sale the proceeds of which are utilized pursuant to clause (11) of the second paragraph of the covenant under “—*Certain Covenants—Limitation on Indebtedness.*”

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Senior Secured Notes Issuer or the Senior Secured Notes 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 Senior Secured Notes Issuer) on the date of such determination.

“*Euroclear*” means Euroclear Bank SA/NV or any successor securities clearing agency thereof.

“*European Government Obligations*” means direct obligations of, or obligations Guaranteed by, a member state of the Pre-Expansion European Union, and the payment for which such member state of the Pre-Expansion European Union pledges its full faith and credit, in each case which are payable in euro and 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 or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to the Senior Secured Notes Issuer, the Senior Notes Issuer 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 (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Senior Secured Notes Issuer.

“*fair market value*” wherever such term is used in this “*Description of the Senior Secured Notes*” or the Senior Secured Notes Indenture (except in relation to an enforcement action or certain distressed disposals pursuant to the Intercreditor Agreement, and any Additional Intercreditor Agreement and except as otherwise specifically provided in this “*Description of the Senior Secured Notes*” or the Senior Secured Notes Indenture), means, with respect to any asset or property, the sale value that would be

obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by an Officer or the Board of Directors of the Senior Secured Notes Issuer or a resolution of the Board of Directors of the Senior Secured Notes Issuer, respectively.

"Fixed Charge Coverage Ratio" means, for any period, the ratio of:

- (a) Consolidated EBITDA to
- (b) Consolidated Financial Interest Expense;

provided that in calculating the Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Company (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or are reasonably expected to occur within the next eighteen months following the date of such calculation, including, without limitation, as a result of, or that would result from any actions taken by the Company or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the chief executive officer, chief operating officer, chief financial officer or any person performing a similarly senior accounting role of the Company (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared)); *provided* that, without limiting the application of the previous proviso, for the purposes of calculating Consolidated EBITDA or Consolidated Financial Interest Expense 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 Fixed Charge Coverage Ratio is such a Sale, (a) 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 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; and (b) the Consolidated Financial Interest Expense for such period shall be reduced by an amount equal to the Consolidated Financial Interest Expense directly attributable to any Indebtedness of the Group repaid, repurchased, defeased or otherwise discharged with respect to the Group in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Financial Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Group is no longer liable for such Indebtedness after such Sale);
- (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, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period, and as though the full effect of synergies and cost savings were realized on the first day of the relevant 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, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period;

provided, further, that the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Indebtedness Incurred on the dates of determination pursuant to the provisions described in the

second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*.”

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies, and as though the full effect of synergies and cost savings were realized on the first day of the relevant period) 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; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period.

“*Group*” refers to the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and the Company’s Restricted Subsidiaries.

“*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.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*Holder*” means each Person in whose name the Senior Secured Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

“*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 from time to time; *provided, however*, that at any date after the Issue Date the Company may make an irrevocable election to establish that “*IFRS*” shall mean IFRS in effect on a date that is on or prior to the date of such election for the purpose of the Senior Secured Notes Indenture (except for the covenant described under “*Reports*”). Except as otherwise set forth in the Senior Secured Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Secured Notes Indenture shall be computed in accordance with IFRS.

“*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*,” “*Incuring*” 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 and such obligations are satisfied within 60 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 an Officer or the Board of Directors of 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 (other than by endorsement of negotiable instruments for collection in the ordinary course of business); *provided* that for the purposes of the calculation of the Consolidated Leverage Ratio if the net proceeds of any Parent Debt have been on-lent to the Company as a Company Proceeds Loan and such Parent Debt is Guaranteed by a member of the Group, only the principal of obligations under the Company Proceeds Loan in connection with such Parent Debt shall count and the corresponding Guarantee shall be deemed reduced by the amount of such Indebtedness; 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).

Notwithstanding the foregoing, the term “*Indebtedness*” shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Senior Secured Notes Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations in the ordinary course of business, (vi) obligations under or in respect of Qualified Receivables Financing, (vii) obligations under any license, permit or other approval (or Senior Secured Notes Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (ix) indebtedness in respect of the Incurrence by the Company or any Restricted Subsidiary of indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Company or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, or (x) indebtedness Incurred by the Company or one of the Restricted Subsidiaries in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (B) a substantially concurrent Investment is made by the Company or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness. For the avoidance of doubt and notwithstanding the above, the term “*Indebtedness*” excludes any accrued expenses and trade payables.

Notwithstanding the foregoing, the term “*Indebtedness*” shall include Parent Debt (i) on which interest payments are being made pursuant to clause (17)(ii) of the third paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*” and (ii) not Guaranteed by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any of its Restricted Subsidiaries, which shall be deemed to have been incurred under the first paragraph or second paragraph of the covenant described under “*Certain Covenants—Limitation on Indebtedness*.”

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 Senior Secured Notes Indenture, and (other than with respect to letters of credit or Senior Secured Notes Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) 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
- (2) for the avoidance of doubt, any obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension 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 any trust, fund, company or partnership owned, managed or advised by Lion Capital LLP or any of its Affiliates or direct or indirect Subsidiaries or any limited partner of any such trust, fund, company or partnership.

“*Initial Public Offering*” means an Equity Offering of common stock or other common equity interests of the Company or any Parent Entity or any successor of the Company or any Parent Entity (the “*IPO Entity*”) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

“*Intercreditor Agreement*” means the Intercreditor Agreement dated on the Issue Date by and among, *inter alios*, the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer, the Senior Secured Notes Trustee, the Security Agent, and certain other parties thereto, as amended from time to time.

“*Interest Rate Agreement*” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

“*Investment*” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any 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 (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed

to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under “—*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 determined in good faith by an Officer or the Board of Directors of the Company) of such Subsidiary at the time that such Subsidiary is so re-designated 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, (as determined in good faith by an Officer or the Board of Directors of the Company) of such Subsidiary.

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 Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, 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 Senior Secured Notes Issuer, the Senior Notes Issuer, 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 when the Senior Secured Notes receive 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.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means June 17, 2014.

“*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).

“*Luxembourg*” means the Grand Duchy of Luxembourg.

“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 Entity, the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person’s purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company or its Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Company;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €4 million in the aggregate outstanding at any time.

“Management Investors” means the current or former officers, directors, employees and other members of the management of or consultants to any Parent Entity, 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 Entity.

“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) of the Exchange Act.

“Net Available Cash” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness (i) which is secured by any assets subject to such Asset Disposition, or (ii) which must by its terms, or in order to obtain necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

“Net Cash Proceeds,” with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“*Offering Memorandum*” means the final offering memorandum in relation to the Senior Secured Notes and the Senior Notes.

“*Officer*” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “*Officer*” for the purposes of the Senior Secured Notes Indenture by the Board of Directors of such Person.

“*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 in form and substance reasonably satisfactory to the Senior Secured Notes Trustee from legal counsel reasonably satisfactory to the Senior Secured Notes Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

“*Parent*” means Dutch Lion B.V. and any successor thereto.

“*Parent Debt*” means any Indebtedness Incurred by a Parent Entity, the net proceeds of which are contributed to the Group and the interest of which is being serviced pursuant to clause (17) of “—*Certain Covenants—Limitation on Restricted Payments—Permitted Payments.*”

“*Parent Debt Contribution*” means the issuance by the Company of any Capital Stock or contribution to the equity of the Company pursuant to which the net proceeds of Parent Debt is contributed to the Company.

“*Parent Entity*” of the Company means any other Person (other than a natural person) that (i) legally and beneficially owns more than 50% of the Voting Stock of the Company, either directly or through one or more Subsidiaries, (ii) is a Subsidiary of any Person referred to in the preceding clause or (iii) any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Entity; *provided, however*, that in no event shall the Senior Secured Notes Issuer, the Senior Notes Issuer or any Subsidiary of the Company constitute its Parent Entity.

“*Parent Expenses*” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, in each case, to the extent relating to Indebtedness of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or a Restricted Subsidiary, the Senior Secured Notes Indenture or any other agreement or instrument relating to Indebtedness of the Senior Secured Notes Issuer, the Senior Notes Issuer, 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 Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and its Subsidiaries;
- (3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and its Subsidiaries;
- (4) fees and expenses payable by any Parent Entity in connection with the Refinancing;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Refinancing or the ownership, directly or indirectly, of the Senior Secured Notes Issuer, the Senior Notes Issuer or the Company by any Parent Entity;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and its Subsidiaries or any Parent Entity or any other Person which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Company, the Senior Secured Notes Issuer or the Senior Notes Issuer, in an aggregate amount not to exceed €4 million in any fiscal year;

- (7) expenses Incurred by any Parent Entity 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 Entity shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and
- (8) fees, taxes, expenses and costs required to maintain the corporate existence of the Senior Notes Issuer or any other Parent Entity.

“*Pari Passu Indebtedness*” means (1) with respect to the Senior Secured Notes Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Senior Secured Notes and (2) with respect to any Senior Secured Notes Guarantor, any Indebtedness that ranks *pari passu* in right of payment to such Senior Secured Notes Guarantor’s Senior Secured Notes Guarantee.

“*Paying Agent*” means any Person authorized by the Senior Secured Notes Issuer to pay the principal of (and premium, if any) or interest on any Senior Secured Note on behalf of the Senior Secured Notes Issuer.

“*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:

- (1) Liens on the Senior Secured Notes Collateral to secure the Senior Secured Notes on the Issue Date and the Senior Secured Notes Guarantees of such Senior Secured Notes and any Refinancing Indebtedness in respect thereof (and any Refinancing Indebtedness in respect of Refinancing Indebtedness); *provided* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (2) Liens on the Senior Secured Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (15), (17), (19), (20), (21), (22), (23) and (29) of the definition of “*Permitted Liens*”;
- (3) Liens on the Senior Secured Notes Collateral to secure any Indebtedness (including any Additional Senior Secured Notes) that are permitted to be Incurred under (a) the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (b) clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (c) any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness); *provided* that, in the case of clause (a) only, on the date of such Incurrence after giving *pro forma* effect thereto and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio of the Company would have been no more than 3.5 to 1.0; or in the case of clause (b) only, on the date of such Incurrence after giving *pro forma* effect thereto and the application of proceeds therefrom, the Consolidated Senior Secured Net Leverage Ratio of the Company would have been either no more than 3.5 to 1.0 or no higher than it was immediately prior to giving effect to the relevant transaction;
- (4) Liens on the Senior Secured Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clauses (1), (2) (in the case of clause (2), to the extent such Senior Secured Notes Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in clauses (3) and (4) of the definition of Permitted Collateral Liens), (4)(a), (b) and (c) (to the extent the Indebtedness refinanced was secured by Liens on the Senior Secured Notes Collateral), (6), (11) and (15) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness);

- (5) Liens on the Senior Secured Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clause (7) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*;” and
- (6) any Lien securing Indebtedness on a basis junior to the Senior Secured Notes;
provided, however, in the case of clauses (3), (4) and (5), that
 - (A) any such Indebtedness is subject to the Intercreditor Agreement or to an Additional Intercreditor Agreement; and
 - (B) the Senior Secured Notes Collateral securing such Indebtedness shall also secure the Senior Secured Notes or the Senior Secured Notes Guarantees on a senior or *pari passu* basis; *provided that, (i) with respect to Indebtedness that is Incurred under clauses (1), (6) and (7) of the second paragraph of the covenant described under “—Certain Covenants—Limitation on Indebtedness,” such Indebtedness may receive priority with respect to distributions of proceeds of any enforcement of Senior Secured Notes Collateral.*

“*Permitted Holders*” means, collectively, (1) the Initial Investors and their Affiliates and Related Persons, (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 Entity or the Company, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture or (ii) a Change of Control which is also a Specified Change of Control Event will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted 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), the Senior Secured Notes Issuer, the Senior Notes Issuer 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 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;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;”
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and disclosed in the Offering Memorandum as having occurred or as may be about to occur;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*;”

- (11) 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*;”
- (12) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);
- (14) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) loans, Guarantees, keepwells and similar arrangements in the ordinary course of business, including Guarantees of the obligations of, and loans to, franchisees;
- (15) advances, loans or other extensions of credit to any joint venture or franchisee (but not, for the avoidance of doubt, any purchase or acquisition of Capital Stock of a joint venture or franchisee or any other form of contribution to the equity of such joint venture to franchisee) in the ordinary course of business;
- (16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property or Investments in franchisees or franchised stores in respect of any such purchases and acquisitions, in any case, in the ordinary course of business and otherwise in accordance with the Senior Secured Notes Indenture;
- (17) (i) Investments in franchisees or franchisees’ stores and (ii) Investments in joint ventures of the Company or any of its Restricted Subsidiaries and Investments in Unrestricted Subsidiaries that do not exceed, collectively for (i) and (ii), an aggregate principal amount of €25 million outstanding at any time; *provided, however*, that if any Investment pursuant to this clause (17) is made in any Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Company after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (17) for so long as such Person continues to be a Restricted Subsidiary;
- (18) Investments in the Senior Secured Notes and any Additional Senior Secured Notes and Investments pursuant to the Senior Secured Notes Proceeds Loan;
- (19) loans or other Investments required to be entered into in connection with a Qualified Receivables Financing; and
- (20) Investments, taken together with all other Investments made pursuant to this clause (20) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €40 million and 2.5% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to 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.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Senior Secured Notes Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Senior Secured Notes Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion Guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure 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;

- (3) Liens imposed by law or agreement of similar effect, 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;
- (4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, Guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business and Liens to secure cash management services or to implement cash pooling arrangements or to cash collateralize letters of credit or similar instruments in the ordinary course of business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Group 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 Group;
- (7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Senior Secured Notes Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired and Liens imposed by any legal or administrative authority in connection with pre-judgment proceedings;
- (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) with respect to the Company and the Restricted Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;
- (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 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 Senior Secured Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (16) (i) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease and (ii) any Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Purchase Money Obligations or Capitalized Lease Obligations; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Senior Secured Notes 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;
- (17) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the 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 Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (21) 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;
- (22) 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;
- (23) 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;
- (24) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;
- (25) Permitted Collateral Liens;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures or in favor of other joint venture partners;
- (28) Liens arising as a result of a disposition, whether or not deemed to be an Asset Disposition;
- (29) Liens securing Indebtedness Incurred pursuant to local lines of credit and overdraft facilities;
- (30) (a) Liens created for the benefit of or to secure the Senior Secured Notes and the Senior Secured Notes Guarantees, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Revolving Credit Facility and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Senior Secured Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement; and
- (31) Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of €30 million and 2.0% of Total Assets.

“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.

“Pre-Expansion European Union” means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

“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, winding up or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Market” means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“Public Offering” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A 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.

“Qualified Receivables Financing” means any Receivables Financing that meets the following conditions: (1) an Officer or the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company or the relevant Subsidiary of the Company, (2) all sales of accounts receivable and related assets of the Company or the relevant Subsidiary of the Company are made at fair market value (as determined in good faith by an Officer or the Board of Directors of the Company), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Senior Secured Notes shall not be deemed a Qualified Receivables Financing.

“Receivables Assets” means any assets that are or will be the subject of a Qualified Receivables Financing.

“Receivables Fees” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

“Receivables Financing” means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person, or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

“Receivables Repurchase Obligation” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation,

warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“Receivables Subsidiary” means a Wholly Owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is Guaranteed by the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary of the Company (excluding Guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary of the Company, (iii) is recourse to or obligates the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which none of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer nor any Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and
- (3) to which none of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer nor any Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Senior Secured Notes Trustee by filing with the Senior Secured Notes Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the foregoing conditions.

“refinance” means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *“refinances,” “refinanced”* and *“refinancing”* as used for any purpose in the Senior Secured Notes Indenture shall have a correlative meaning.

“Refinancing” means the offering of the Senior Secured Notes and the Senior Notes, the entering into of the Senior Secured Notes Proceeds Loan, the Senior Notes Proceeds Loan and the Revolving Credit Facility Agreement, the related repayment of existing debt facilities, the refinancing, amendment or extension of the Parent’s existing indebtedness, unwinding or amending and extending of existing hedging arrangements, the payment of related fees and expenses, including the payment of any fees and expenses in connection with the issuance and sale of the Senior PIK Notes, and all other related transactions and undertakings.

“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 Senior Secured Notes Indenture or Incurred in compliance with the Senior Secured Notes Indenture (including Indebtedness of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any Restricted Subsidiary that refinances Indebtedness of the Company, the Senior

Secured Notes Issuer, the Senior Notes Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or the Senior Secured Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Senior Secured Notes, such Refinancing Indebtedness is subordinated to the Senior Secured Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced; *provided, however*, that Refinancing Indebtedness shall not include (x) Indebtedness of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and (y) Indebtedness of a Restricted Subsidiary of the Company that is not a Senior Secured Notes Guarantor that refinances Indebtedness of the Senior Secured Notes Issuer or a Senior Secured Notes Guarantor.

“*Related Person*” with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Person;
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“*Related Taxes*” means:

- (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 Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:
 - (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or any of the Company’s Subsidiaries);
 - (b) issuing or holding Subordinated Shareholder Funding;
 - (c) being a holding company Parent Entity, directly or indirectly, of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer 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 Entity pursuant to “—*Certain Covenants—Limitation on Restricted Payments*,” or

- (2) if and for so long as any of the Company, the Senior Secured Notes Issuer and the Senior Notes Issuer is a member of a group filing a consolidated or combined tax return with any Parent Entity, any consolidated and combined Taxes measured by income for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and its Subsidiaries had paid such Taxes on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company and its Subsidiaries.

“Representative” means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

“Responsible Officer” when used with respect to the Senior Secured Notes Trustee, means any managing director, director, associate director, vice president, assistant vice president, assistant treasurer or trust officer within the corporate trust and agency department of the Senior Secured Notes Trustee (or any successor group of the Senior Secured Notes Trustee) or any other officer of the Senior Secured Notes Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Restricted Investment” means any Investment other than a Permitted Investment.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Revolving Credit Facility” means the Revolving Credit Facility available pursuant to the revolving Credit Facility Agreement.

“Revolving Credit Facility Agreement” means the revolving credit facility agreement dated on the Issue Date among, *inter alios*, the Company and the agent thereunder, as it shall be restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

“S&P” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“Security Agent” means The Royal Bank of Scotland plc, acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

“Security Documents” means the security agreements, pledge agreements, collateral assignments, call options and any other instrument and document executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Senior Secured Notes Collateral.

“Security Providers” means each of the Parent, the Company, the Senior Secured Notes Issuer, Hema Bakkerijen B.V., Hema Financial Services B.V., Hema België B.V., Hema Duitsland B.V. and any other Subsidiary or Affiliate of the Company that executes a Security Document in accordance with the provisions of the Senior Secured Notes Indenture, and their respective successors and assigns, in each case, until the Lien of such Security Document has been released in accordance with the provisions of the Senior Notes Indenture and of such Security Document.

“Senior Management” means the officers, directors, and other members of senior management of the Company or any of its Subsidiaries.

“Senior Notes” means the Senior Notes Issuer’s €150 million aggregate principal amount of 8.50% Senior Notes due 2019.

“Senior Notes Indenture” means the indenture governing the Senior Notes.

“*Senior Notes Issuer*” means HEMA Bondco II B.V. and any successor thereto.

“*Senior Notes Proceeds Loan Agreement*” means that certain loan agreement made as of the Issue Date by the Company, as borrower, and the Senior Notes Issuer, as lender.

“*Senior Notes Proceeds Loan*” means the loan of the proceeds of the Senior Notes pursuant to the Senior Notes Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loans or any portion thereof.

“*Senior Secured Indebtedness*” means, with respect to the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any Restricted Subsidiary as of any date of determination, (a) any Indebtedness that is Incurred under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or clauses (1), (4), (5), (6), (7) and (15) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (in the case of clause (4), to the extent such Indebtedness constitutes Indebtedness under the Senior Secured Notes (excluding Additional Senior Secured Notes)) and any Refinancing Indebtedness in respect thereof, in each case secured by a Lien on the Senior Secured Notes Collateral that is at least *pari passu* with the Liens securing the Senior Secured Notes and (b) Indebtedness of a Restricted Subsidiary that is not a Senior Secured Notes Guarantor. In no event shall the Senior Notes or any Guarantees thereof and any Refinancing Indebtedness in respect thereof constitute Senior Secured Indebtedness. For the avoidance of doubt, in no event shall any Parent Debt, and any Guarantees thereof permitted under clause (12) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” constitute Senior Secured Indebtedness.

“*Senior Secured Notes Collateral*” means any collateral that secures the Senior Secured Notes and/or the Senior Secured Guarantees and the obligations of the Senior Secured Notes Issuer and/or the Senior Secured Guarantors under the Senior Secured Notes Indenture from time to time.

“*Senior Secured Notes Documents*” means the Senior Secured Notes (including Additional Senior Secured Notes), the Senior Secured Notes Indenture, the Security Documents, the Senior Secured Notes Proceeds Loan, the Intercreditor Agreement and any Additional Intercreditor Agreements.

“*Senior Secured Notes Guarantor*” means each of the Company, the Senior Notes Issuer, Hema Bakkerijen B.V., Hema Financial Services B.V., Hema België B.V., Hema Duitsland B.V. and any Additional Senior Secured Notes Guarantor that executes a supplemental indenture in accordance with the provisions of the Senior Secured Notes Indenture, and their respective successors and assigns, in each case, until the Senior Secured Notes Guarantee of such Person has been released in accordance with the provisions of the Senior Secured Notes Indenture.

“*Senior Secured Notes Issuer*” means HEMA Bondco I B.V. and any successor thereto.

“*Senior Secured Notes Proceeds Loan Agreement*” means that certain loan agreement made as of the Issue Date by the Company, as borrower, and the Senior Secured Notes Issuer, as lender.

“*Senior Secured Notes Proceeds Loan*” means the loan of the proceeds of the Senior Secured Notes pursuant to the Senior Secured Notes Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loans or any portion thereof.

“*Shared Senior Notes Collateral*” means security interests securing, pursuant to the Intercreditor Agreement, the Revolving Credit Facility and certain Hedging Obligations, the Senior Secured Notes on a first-ranking basis and the Senior Notes on a second-ranking basis, including:

- Dutch law governed pledges over all the shares of the Senior Secured Notes Issuer, the Senior Notes Issuer and the Company;
- Dutch law governed omnibus pledge agreements in respect of the Senior Secured Notes Issuer’s rights under the Senior Secured Notes Proceeds Loan, and the assets of the Senior Notes Issuer (including the Senior Notes Proceeds Loan); and
- Dutch law governed security over intercompany receivables (including preferred equity certificates) owed to Dutch Lion B.V. by HEMA B.V.

The Liens over the Shared Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantees will be contractually subordinated, pursuant to the Intercreditor Agreement, to the Liens over the Shared Senior Notes Collateral securing the Senior Secured Notes, the Senior Secured Notes Guarantees, the Revolving Credit Facility and certain Hedging Obligations. Any other property or assets

over which Liens may in the future be granted to secure obligations under the Senior Secured Notes and the Senior Secured Notes Indenture as well as the Senior Notes and the Senior Notes Indenture would also constitute “*Shared Senior Notes Collateral*.”

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Company and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% 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 10% 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 10% 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 or any Associates 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 immediately thereafter and giving *pro forma* effect thereto, the Consolidated Leverage Ratio of the Company would have been less than (x) 5.00 to 1.00 if the date of such occurrence is prior to the second anniversary of the Issue Date or (y) 4.75 to 1.00, if the date of such occurrence is on or after the second anniversary of the Issue Date, immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Secured Notes Indenture after the Issue Date.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and Guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Receivables Financing, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations 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, the Senior Secured Notes Proceeds Loans or any Senior Secured Notes Guarantees pursuant to a written agreement. Subordinated Indebtedness shall be deemed to include (i) the Senior Notes, (ii) any Guarantee given by any member of the Group of the Senior Notes, (iii) the Senior Notes Proceeds Loan and (iv) any Subordinated Shareholder Funding.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Company by any Parent Entity, any Affiliate of any Parent Entity (other than the Senior Secured Notes Issuer or the Senior Notes Issuer) 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);

- (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;
- (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 date that is six months following the Stated Maturity of the Senior Secured Notes;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company, or any of the Company's Subsidiaries; and
- (5) pursuant to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Secured Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

Subordinated Shareholder Funding shall be deemed to include (i) any payment-in-kind ("PIK") notes issued in payment of interest thereon and (ii) any shareholder loans (including preferred equity certificates or similar instruments owed to any Parent Entity) in effect as of the Issue Date.

"*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.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties, additions to tax and other liabilities with respect thereto) that are imposed or levied 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 Entity, any Subsidiary of a Parent Entity or any 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 Senior Secured Notes Indenture.

"*Temporary Cash Investments*" means any of the following:

- (1) any investment in
 - (a) direct obligations of, or obligations Guaranteed by, (i) a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, (ii) 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 (iii) 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 Revolving Credit Facility,
 - (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 Senior Secured Notes Issuer, the Senior Notes Issuer, 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 any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, 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 any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia 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 Organisation 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 "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;
- (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 as shown on its most recent internal balance sheet prepared on the basis of IFRS, after giving *pro forma* effect to take into account any assets acquired or disposed of since the date of the Company's latest balance sheet and any anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

"Uniform Commercial Code" means the New York Uniform Commercial Code.

“*Unrestricted Subsidiary*” means:

- (1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Senior Secured Notes Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Senior Secured Notes Issuer 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, at the time of such designation:

- (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 Senior Secured Notes Issuer, the Senior Notes Issuer, 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 Senior Secured Notes Issuer shall be evidenced to the Senior Secured Notes Trustee by filing with the Senior Secured Notes Trustee a copy of the resolution of the Board of Directors of the Senior Secured Notes Issuer giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Senior Secured Notes Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Company could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Senior Secured Notes Issuer shall be evidenced to the Senior Secured Notes Trustee by promptly filing with the Senior Secured Notes Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“*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.

DESCRIPTION OF THE SENIOR NOTES

You will find definitions of certain capitalized terms used in this “Description of the Senior Notes” under the heading “—Certain Definitions.” For purposes of this “Description of the Senior Notes,” (i) references to the “Company” refer only HEMA B.V. and not to any of its subsidiaries, (ii) references to the “Senior Notes Issuer” refer only HEMA Bondco II B.V., (iii) references to the “Senior Secured Notes Issuer” refer only HEMA Bondco I B.V., and (iv) references to “we,” “our,” “us” or “Group” refer to the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and the Company’s Restricted Subsidiaries.

HEMA Bondco II B.V. (the “Senior Notes Issuer”) will issue €150 million aggregate principal amount of 8.50% Senior Notes due 2019, (the “Senior Notes”) under an indenture to be dated June 17, 2014 (the “Senior Notes Indenture”), among, *inter alios*, itself, the Company, the Senior Secured Notes Issuer, certain subsidiaries of the Company that Guarantee the Senior Notes (the “Senior Notes Guarantors”), certain Security Providers, Citibank, N.A., London Branch, as trustee (the “Senior Notes Trustee”) and The Royal Bank of Scotland plc, as security agent (the “Security Agent”), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended.

The Senior Notes Indenture will be unlimited in aggregate principal amount, of which €150 million in aggregate principal amount of Senior Notes will be issued in this offering. We may issue an unlimited aggregate principal amount of additional Senior Notes (the “Additional Senior Notes”) subject to the provisions of the Senior Notes Indenture, including the covenant restricting the Incurrence of Indebtedness (as described below under “*Certain Covenants—Limitation on Indebtedness*”) and the Incurrence of Liens (as described below under “*Certain Covenants—Limitation on Liens*”) and the provisions described below under “*Additional Senior Notes*.” Unless the context otherwise requires, in this “*Description of the Senior Notes*,” references to the “Senior Notes” include the Senior Notes and any Additional Senior Notes that are actually issued. The terms of the Senior Notes include those set forth in the Senior Notes Indenture. The Senior Notes Indenture will not be qualified under or incorporate or include any of the provisions of, or be subject to, the U.S. Trust Indenture Act of 1939, as amended.

Where the Senior Notes Indenture refers to (a) the delivery of an Officer’s Certificate, or equivalent, of the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, as the case may be, may, at its election, satisfy such delivery requirement by the delivery of a certificate, or equivalent, of an Officer of any of the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer and (b) except as provided under “*—Certain Covenants—Limitation on Affiliate Transactions*,” the determination of any of (x) the Company or an Officer or the Board of Directors thereof, (y) the Senior Notes Issuer or an Officer or the Board of Directors thereof or (z) the Senior Secured Notes Issuer or an Officer or the Board of Directors thereof, may be made by, in each case, any of the Company or an Officer or the Board of Directors thereof, the Senior Notes Issuer or an Officer or the Board of Directors thereof or the Senior Secured Notes Issuer or an Officer or the Board of Directors thereof (in each case, as applicable), at the Senior Notes Issuer’s election.

This “*Description of the Senior Notes*” is intended to be an overview of the material provisions of the Senior Notes, the Senior Notes Proceeds Loan and the Senior Notes Indenture. Since the following description is only a summary, you should refer to the Senior Notes Indenture, the form of Senior Notes and the Intercreditor Agreement for complete descriptions of the obligations of the Senior Notes Issuer and the Senior Notes Guarantors and your rights because they, and not this summary, define your rights as Holders of the Senior Notes. Copies of the Senior Notes Indenture, the form of Senior Notes and the Intercreditor Agreement are available as set forth under “*Listing and General Information*.”

The registered Holder of a Senior Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Notes Indenture.

General

The Senior Notes

The Senior Notes will, upon issuance:

- be general senior obligations of the Senior Notes Issuer;
- be guaranteed on a senior subordinated basis by the Senior Notes Guarantors, subject to the limitations described in “*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests*.”

- be secured as set forth below under “—Security” on a second-priority basis behind the security interests granted in favor of the Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the Senior Notes;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Senior Notes Issuer that is not subordinated in right of payment to the Senior Notes;
- be effectively subordinated to any existing and future Indebtedness of the Senior Notes Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing and future Indebtedness of the Company and its Subsidiaries that are not Senior Notes Guarantors, including obligations owed to trade creditors.

The Senior Notes Guarantees

On the Issue Date, the Senior Notes will be Guaranteed by the Company, the Senior Secured Notes Issuer and the other Senior Notes Guarantors.

Each Senior Notes Guarantee of the Senior Notes will, upon issuance:

- be a general senior subordinated obligation of the relevant Senior Notes Guarantor;
- be secured as set forth below under “—Security” on a second-priority basis behind the security interests granted in favor of the Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of such Senior Notes Guarantor that is expressly subordinated in right of payment to such Senior Notes Guarantor’s Senior Notes Guarantee, including obligations of that Guarantor, to the extent of the value of the Collateral that is available;
- be subordinated in right of payment behind the obligations of the Senior Notes Guarantor under its guarantee of or payment obligations under the Senior Secured Notes, the Revolving Credit Facility, certain Hedging Obligations and certain other indebtedness permitted by the Intercreditor Agreement and the Senior Notes Indenture;
- be effectively subordinated to any existing and future Indebtedness of such Senior Notes Guarantor that is secured by property or assets that do not secure such Senior Notes Guarantor’s Senior Notes Guarantee, including the Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing and future Indebtedness of Subsidiaries of such Senior Notes Guarantor that are not Senior Notes Guarantors.

The obligations of the Senior Notes Guarantors will be contractually limited under the Senior Notes Guarantees to reflect limitations under applicable law. See “*Risk Factors—Risks Related to Our Structure—The Notes and the Notes Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability*” and “*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests.*” In certain cases, these limitations may apply to the Senior Notes Guarantees, but not the Senior Notes Guarantors’ obligations under other debt, including the Revolving Credit Facility and the Senior Secured Notes. As of and for the fiscal year ended February 2, 2014, the Company and the Senior Notes Guarantors accounted for 98% of the consolidated total assets, 95% of the net sales and 96% of the EBITDA of the Company and its Subsidiaries.

Payment under the Senior Notes Guarantees will be expressly subordinated in right of payment to the payment when due of all Senior Indebtedness of the relevant Senior Notes Guarantors (including Indebtedness Incurred under the Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations). As a result of this subordination, holders of Senior Indebtedness of any such Senior Notes Guarantor will be entitled to receive full payment on all obligations owed to them before any payment can be made to Holders of the Senior Notes in respect of such Senior Notes Guarantor’s Senior Notes Guarantee.

Pursuant to the Intercreditor Agreement, after a payment default or an acceleration event in respect of the Senior Secured Notes, the Revolving Credit Facility or certain other debt subject to the Intercreditor Agreement, none of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or the Senior Notes Guarantors may make payments in respect of the Senior Notes or the Senior Notes Guarantees except in accordance with the terms of the Intercreditor Agreement. See “*Description of Other Indebtedness—Intercreditor Agreement.*”

Principal and Maturity

The Senior Notes Issuer will issue €150 million aggregate principal amount of Senior Notes on the Issue Date. The Senior Notes will mature on December 15, 2019. The Senior Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

Interest

Interest on the Senior Notes will accrue at the rate of 8.50% per annum. Interest on the Senior Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on June 15 and December 15, commencing on December 15, 2014;
- be payable to the Holder of record of such Senior Notes on June 1 and December 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders of beneficial interests in the Senior Notes to receive the payments of interest on such Senior 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 Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Methods of Receiving Payments on the Senior Notes

Principal, interest and premium, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments with respect to Senior Notes represented by one or more Global Notes registered in the name of or held by a nominee of Euroclear or Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, interest and premium, 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 United Kingdom. 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 Notes.*”

Paying Agent and Registrar for the Senior Notes

The Senior Notes Issuer will maintain one or more Paying Agents for the Senior Notes, including in the United Kingdom. The initial Paying Agent will be Citibank, N.A., London Branch.

The Senior Notes Issuer also undertakes 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 Council Directive 2003/48/EC regarding the taxation of savings income (the “*Directive*”) or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive.

The Senior Notes Issuer will also maintain one or more registrars (each, a “*Registrar*”). The Senior Notes Issuer will also maintain a transfer agent in the United Kingdom. The initial Registrar will be Citigroup Global Markets Deutschland AG. The initial transfer agent will be Citibank, N.A., London Branch. The Registrar, the Paying Agent and the transfer agent, as applicable, will maintain a register reflecting ownership of Definitive Registered Notes, if issued, outstanding from time to time and will make payments

on and facilitate transfers of Definitive Registered Notes on behalf of the Senior Notes Issuer. Upon demand by the Senior Notes Issuer, the Registrar shall, upon request, (at the expense of the Senior Notes Issuer) send a copy of the register reflecting ownership of Definitive Registered Notes outstanding from time to time maintained by it to the Senior Notes Issuer and the Senior Notes Issuer shall keep such copy of the register at its registered office.

The Senior Notes Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the Holders. If and for so long as the Senior 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 Senior Notes 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).

Transfer and Exchange

The Senior Notes will be issued in the form of one or more registered notes in global form without interest coupons attached, as follows:

- Senior Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “*144A Global Notes*”). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream or its nominee.
- Senior Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “*Regulation S Global Notes*” and, together with the 144A Global Notes, the “*Global Notes*”). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream or its nominee.

Ownership of interests in the Global Notes (“*Book-Entry Interests*”) will be limited to Persons that have accounts with Euroclear and/or Clearstream or Persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Notice to Investors*.” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the “*144A Book-Entry Interests*”) may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the “*Regulation S Book-Entry Interests*”) only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A 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 in principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear

or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Notes Indenture or as otherwise determined by the Senior Notes Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Notice to Investors*.”

Subject to the restrictions on transfer referred to above, Senior Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof to Persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Senior Notes Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Senior Notes Issuer is not required to register the transfer or exchange of any Senior Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Senior Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Senior Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; 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 Senior Notes Issuer, the Senior Notes Trustee, the Paying Agent, the Registrar and any transfer agent will be entitled to treat the registered Holder of a Senior Note as the owner of it for all purposes.

Additional Senior Notes

From time to time, subject to the Senior Notes Issuer’s compliance with the covenants described under the headings “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Liens*,” the Senior Notes Issuer is permitted to issue Additional Senior Notes, which shall have the terms set out in an Officer’s Certificate supplied to the Senior Notes Trustee. Such Additional Senior Notes will be treated, along with all other series of Senior Notes, as a single class for the purposes of the Senior Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series; *provided* that Additional Senior Notes will not be issued with the same CUSIP, ISIN or common code, as applicable, as existing Senior Notes unless such Additional Senior Notes are fungible with the existing Senior Notes for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the Senior Notes Indenture and this “*Description of the Senior Notes*,” references to “*Senior Notes*” shall be deemed to include references to the Senior Notes initially issued on the Issue Date as well as any Additional Senior Notes.

Restricted Subsidiaries and Unrestricted Subsidiaries

On the Issue Date, all of the Company’s direct and indirect Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary*,” the Senior Notes Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants contained in the Senior Notes Indenture. The Unrestricted Subsidiaries will not Guarantee the Senior Notes.

The Proceeds Loans

Upon the issuance of the Senior Notes, the Senior Notes Issuer, as lender, and the Company, as borrower, will enter into the Senior Notes Proceeds Loan Agreement pursuant to which the Senior Notes Issuer will loan to the Company the proceeds of the Senior Notes.

The Senior Notes Proceeds Loan will be denominated in euro in aggregate principal amount equal to the proceeds of the Senior Notes. The Senior Notes Proceeds Loan will bear interest at a rate at least equal to the interest rates of the Senior Notes. Interest on the Senior Notes Proceeds Loan will be payable

semi-annually in arrears on or prior to the corresponding date for the payment of interest on such Senior Notes.

The Senior Notes Proceeds Loan Agreement will provide that the Company will pay the Senior Notes Issuer interest and principal due and payable on the Senior Notes and any Additional Amounts due thereunder. All amounts payable under the Senior Notes Proceeds Loan will be payable to such account or accounts with such Person or Persons as the Senior Notes Issuer may designate. The maturity date of the Senior Notes Proceeds Loan will be the same as the maturity date of the Senior Notes. Except as otherwise required by law, all payments under the Senior Notes Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that the Company is required to make any such deduction or withholding, such entity shall gross-up each payment to the Senior Notes Issuer to ensure that the Senior Notes Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Senior Notes Proceeds Loan will provide that the Company, will make all payments pursuant thereto on a timely basis in order to ensure that the Senior Notes Issuer can satisfy its payment obligations under the Senior Notes and the Senior Notes Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Senior Notes.

An assignment of (or to the extent not validly assigned, a fixed charge over) the Senior Notes Issuer's rights under the Senior Notes Proceeds Loan Agreement will be granted in favor of the Security Agent as part of the Collateral, as described below under "*—Security—General.*"

Senior Notes Guarantees

General

The Senior Notes will be Guaranteed by each Senior Notes Guarantor. These Senior Notes Guarantees will be joint and several obligations of the Senior Notes Guarantors. Each Senior Notes Guarantee is a full and unconditional Guarantee of the Senior Notes Issuer's obligations under the Senior Notes, subject to the contractual limitations discussed below.

The obligations of the Senior Notes Guarantors will be contractually limited under the applicable Senior Notes Guarantees to reflect limitations under applicable law and the Agreed Security Principles with respect to, among other things, maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to the Senior Notes Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests.*"

Payment under the Senior Notes Guarantees will be expressly subordinated in right of payment to the payment when due of all Senior Indebtedness of the relevant Senior Notes Guarantors (including Indebtedness Incurred under the Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations). As a result of this subordination, holders of Senior Indebtedness of any such Senior Notes Guarantor will be entitled to receive full payment on all obligations owed to them before any payment can be made to Holders of the Senior Notes in respect of such Senior Notes Guarantor's Senior Notes Guarantee.

Not all of the Company's Subsidiaries will Guarantee the Senior Notes. In the event of a bankruptcy, liquidation, winding up or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company for application under the Senior Notes Proceeds Loan. As of and for the fiscal year ended February 2, 2014, the Company and the Senior Notes Guarantors accounted for 98% of the consolidated total assets, 95% of the net sales and 96% of the EBITDA of the Company and its Subsidiaries.

The Senior Notes Issuer is dependent on the Company to make payments on the Senior Notes Proceeds Loan for cash to service interest, principal and other payments on the Senior Notes. In turn, the Company is, to a degree, dependent upon its Subsidiaries for cash to service interest, principal and other payments on the Senior Notes Proceeds Loan. The Senior Notes and the Senior Notes Guarantees will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's non-guarantor Subsidiaries. Any right of the Company or any Senior Notes Guarantor to receive assets of any of its non-guarantor Subsidiaries upon that non-guarantor Subsidiary's liquidation, winding up or reorganization (and the consequent right of the

holders of the Senior Notes to participate in those assets) will be effectively subordinated to the claims of that non-guarantor Subsidiary's creditors, except to the extent that the Senior Notes Issuer, the Company or such Senior Notes Guarantor is itself recognized as a creditor of the non-guarantor Subsidiary, in which case the claims of the Senior Notes Issuer, the Company or such Senior Notes Guarantor, as the case may be, would still be subordinated in right of payment to any security in the assets of the non-guarantor Subsidiary and any Indebtedness of the non-guarantor Subsidiary senior to that held by the Senior Notes Issuer, the Company or such Senior Notes Guarantor. As of February 2, 2014, the Company's non-Guarantor Subsidiaries had €0 million of third-party debt.

Additional Senior Notes Guarantees

The Senior Notes Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Senior Notes (an "*Additional Senior Notes Guarantor*") by causing it to execute and deliver to the Senior Notes Trustee a supplemental indenture in the form attached to the Senior Notes Indenture, pursuant to which such Restricted Subsidiary will become a Senior Notes Guarantor.

Each Additional Senior Notes Guarantor will, jointly and severally with the Senior Notes Guarantors and each other Additional Senior Notes Guarantor, irrevocably Guarantee (each Guarantee, an "*Additional Senior Notes Guarantee*"), as primary obligor and not merely as surety, on a senior subordinated basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Senior Notes Issuer under the Senior Notes Indenture and the Senior Notes, whether for payment of principal of, or interest on or in respect of, the Senior Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Senior Notes Guarantor will be contractually limited under its Additional Senior Notes Guarantee to reflect limitations under applicable law and the Agreed Security Principles, including, among other things, with respect to maintenance of share capital applicable to such Additional Senior Notes Guarantor and its shareholders, directors and general partner. Any Additional Senior Notes Guarantee shall be issued on substantially the same terms as the Senior Notes Guarantees. For purposes of the Senior Notes Indenture and this "*Description of the Senior Notes*," references to the Senior Notes Guarantees include references to any Additional Senior Notes Guarantees and references to the Senior Notes Guarantors include references to any Additional Senior Notes Guarantors.

Releases

Each Senior Notes Guarantee will be released:

- (1) upon a sale or other disposition (including by way of consolidation or merger) of Capital Stock of the relevant Senior Notes Guarantor (whether by direct sale or sale of a holding company) to a Person that is not (either before or after giving effect to such transaction) the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer, or a Restricted Subsidiary, if the sale or other disposition does not violate the "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant below and such that the relevant Senior Notes Guarantor no longer remains a Restricted Subsidiary;
- (2) in connection with any sale, disposition, exchange or other transfer of all or substantially all of the assets of such Senior Notes 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, the Senior Notes Issuer, the Senior Secured Notes Issuer, or a Restricted Subsidiary, if the sale or other disposition does not violate the "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant below;
- (3) upon the designation in accordance with the Senior Notes Indenture of such Senior Notes Guarantor as an Unrestricted Subsidiary;
- (4) upon defeasance or discharge of the Senior Notes, as provided in "*Defeasance*" and "*Satisfaction and Discharge*;"
- (5) in accordance with the provisions of the Intercreditor Agreement or an Additional Intercreditor Agreement relating to the release of a Senior Notes Guarantee on an enforcement sale or other disposal of such Senior Notes Guarantor;
- (6) as described under "*Amendments and Waivers*;"

- (7) with respect to an Additional Senior Notes Guarantee given under the covenant captioned “—*Certain Covenants—Additional Senior Notes Guarantees*,” upon release of the Guarantee that gave rise to the requirement to issue such Additional Senior Notes Guarantee so long as no Event of Default would arise as a result and no other Indebtedness that would give rise to an obligation to give an Additional Senior Notes Guarantee is at that time Guaranteed by the relevant Senior Notes Guarantor;
- (8) with respect to any Senior Notes Guarantor which is not the continuing or surviving Person in the relevant consolidation or merger, as a result of a transaction permitted by “—*Certain Covenants—Merger and Consolidation—The Senior Notes Guarantors*” and the Senior Notes Indenture; or
- (9) upon the full and final payment and performance of all obligations of the Senior Notes Issuer and the Senior Notes Guarantors under the Senior Notes Indenture and the Senior Notes.

The Senior Notes Guarantee of the Company and the Senior Secured Notes Issuer will only be released upon the occurrence of any event described in clauses (4), (5), (6), (8) or (9) above.

The Senior Notes Trustee and the Security Agent (as applicable) shall, subject to receipt of certain documents from the Company and/or Senior Notes Guarantors, and subject to the terms of the Intercreditor Agreement, each take all necessary actions reasonably requested by the Company, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release of a Senior Notes Guarantee of a Senior Notes Guarantor in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Senior Notes Trustee without the consent of the Holders or any action on the part of the Senior Notes Trustee. Neither the Senior Notes Trustee nor the Company will be required to make a notation on the Senior Notes to reflect any such release, termination or discharge.

Security

General

As of the Issue Date the Senior Notes and the Senior Notes Guarantees will be secured by security interests (the “*Security Interest*”) pursuant to the Intercreditor Agreement; including:

- Dutch law governed pledges over all the shares of the Senior Secured Notes Issuer, the Senior Notes Issuer and the Company;
- Dutch law governed omnibus pledge agreements in respect of the Senior Secured Notes Issuer’s rights under the Senior Secured Notes Proceeds Loan, and the assets of the Senior Notes Issuer (including the Senior Notes Proceeds Loan); and
- Dutch law governed security over intercompany receivables (including preferred equity certificates) owed to Dutch Lion B.V. by HEMA B.V.,

collectively, the “*Shared Senior Notes Collateral*,” in each case which also secure the Senior Secured Notes, the Senior Secured Notes Guarantees, the Revolving Credit Facility and certain Hedging Obligations. The Liens over the Shared Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantees will be contractually subordinated, pursuant to the Intercreditor Agreement, to the Liens over the Shared Senior Notes Collateral securing the Senior Secured Notes, the Senior Secured Notes Guarantees, the Revolving Credit Facility and certain Hedging Obligations. Any other property or assets over which Liens may in the future be granted to secure obligations under the Senior Secured Notes and the Senior Secured Notes Indenture as well as the Senior Notes and the Senior Notes Indenture would also constitute “*Shared Senior Notes Collateral*”.

The Shared Senior Notes Collateral and any other property or assets over which the Security Interest may in the future be granted to secure obligations under the Senior Notes and the Senior Notes Indenture are referred to herein collectively as the “*Senior Notes Collateral*.”

The Senior Notes Collateral will be contractually limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent preference or conveyance and other legal restrictions applicable to security providers and their shareholders, directors and general partners. For a description of such contractual limitations, see “*Limitations on Validity and Enforceability of the Notes Guarantees and Security Interests*.” The grant and control of the security will also be subject to certain

Agreed Security Principles. The Agreed Security Principles provide that certain assets will not be pledged (or the Liens not perfected), including if such pledge (or the perfection of such Lien) would:

- result in any breach of general statutory limitations, capital maintenance rules, corporate benefit, financial assistance, fraudulent preference or thin capitalization laws or regulations (or analogous restrictions) of any applicable jurisdiction;
- result in a material risk to the officers of the relevant grantor of security of contravention of their fiduciary duties and/or of civil or criminal liability;
- result in costs that, in the opinion of the agent under the Revolving Credit Facility and the Company (both acting reasonably), are disproportionate to the benefit obtained by the beneficiaries of that security;
- relate to any assets subject to third party arrangements which prevent those assets from being charged or assigned (provided that this does not preclude the relevant entity from using all reasonable endeavors to obtain consent to such charging or assignment), including without limitation any joint ventures or shares in joint ventures; or
- have a material adverse effect on the ability of the relevant obligor to conduct its operations and business in the ordinary course as otherwise permitted by the agreements to which it is a party.

The Agreed Security Principles with respect to the Senior Notes will be interpreted and applied in good faith by the Senior Notes Issuer.

The Liens securing the Senior Notes and the Guarantees will also secure the obligations of the Senior Notes Issuer under (x) the Revolving Credit Facility and certain Hedging Obligations on a super-priority basis pursuant to the Intercreditor Agreement and (y) the Senior Secured Notes Indenture on a first-priority basis pursuant to the Intercreditor Agreement; *provided that* the Liens in respect of the Shared Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantees will be contractually subordinated, pursuant to the Intercreditor Agreement, to the Liens in respect of the Shared Senior Notes Collateral securing the Senior Secured Notes, the Senior Secured Notes Guarantees, the Revolving Credit Facility and certain Hedging Obligations. In addition, subject to certain conditions, including compliance with the covenant described under “—*Certain Covenants—Impairment of Security Interest*,” each of the Security Providers, the Senior Notes Issuer and the Senior Notes Guarantors is permitted to pledge the Senior Notes Collateral in connection with future Incurrences of Indebtedness, including any Additional Senior Notes, in each case, permitted under the Senior Notes Indenture and other Indebtedness of members of the Group and on terms consistent with the relative priority in right of payment of such Indebtedness under the Senior Notes Indenture and the Intercreditor Agreement.

In addition to the release provisions described below, the Security Interest will cease to exist by operation of law or will be released, depending on the type of security interest, upon the defeasance or discharge of the Senior Notes as provided in “—*Defeasance*” or “—*Satisfaction and Discharge*,” in each case in accordance with the terms and conditions of the Senior Notes Indenture.

There can be no assurance that the proceeds from the sale of the Senior Notes Collateral would be sufficient to satisfy the obligations owed to the Holders, and the Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Senior Notes and the disposition of assets comprising the Senior Notes Collateral, subject to the terms of the Senior Notes Indenture. No appraisals of the Senior Notes Collateral have been made in connection with this offering of the Senior Notes. By its nature, some or all of the Senior Notes Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Senior Notes Collateral may not be able to be sold in a short period of time, or at all. See “*Risk Factors—Risks Related to the Notes and the Notes Guarantees—No appraisals of any of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes and the Notes Guarantees and such security may not be sufficient to satisfy the obligations under the Notes and the Notes Guarantees*” and “*Risk Factors—Risks Related to the Notes and the Notes Guarantees—It may be difficult to realize the value of the Collateral securing the Notes.*” In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to release the Security Interest, by reference to the interests of other creditors. These limitations may include requirements that some or all of the Senior Notes 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.*”

Subject to the terms of the Security Documents and prior to enforcement of any such Senior Notes Collateral, the Security Providers, the Senior Notes Issuer and the Senior Notes Guarantors, as the case may be, will have the right to remain in possession and retain exclusive control of the Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantees, to freely operate the Senior Notes Collateral and to collect, invest and dispose of any income therefrom and, in respect of the shares that are part of the Senior Notes Collateral, will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing).

The creditors under the Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Notes Collateral, the Senior Secured Notes Trustee and the Senior Notes Trustee have, and by accepting a Senior Note, each Holder will be deemed to have, irrevocably appointed the Security Agent to act as its agent and security agent under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents. The creditors under the Revolving Credit Facility, the counterparties to the Hedging Obligations secured by the Senior Notes Collateral, the Senior Secured Notes Trustee and the Senior Notes Trustee have, and by accepting a Senior Note, each Holder will be deemed to have, 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 the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Further, the Senior Notes Indenture will also provide that each Holder, by accepting a Senior Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein). See “*Description of Other Indebtedness—Intercreditor Agreement.*”

Security Documents

Under the Security Documents, the Senior Notes Issuer and the Security Providers will grant security over the Senior Notes Collateral to secure the obligations of the Senior Notes Issuer under the Senior Notes, and the Senior Notes Indenture. The Security Documents will be entered into by, *inter alios*, the relevant Security Provider and the Security Agent.

The Security Agent will enter into the Security Documents in its own name for the benefit of the Senior Notes Trustee and the Holders. The Security Agent will also act on behalf of the lenders under the Revolving Credit Facility, the counterparties under certain Hedging Obligations and the holders of the Senior Secured Notes (who will have the benefit of the same Senior Notes Collateral in priority to the Holders of the Senior Notes). The Security Agent will also act on behalf of certain future secured creditors.

The Security Documents provide that the rights with respect to the Senior Notes Collateral must be exercised by the Security Agent or the parties to the Security Documents. Since the Holders are not a party to the Security Documents, Holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent.

The Security Agent will agree to any release of the Security Interest created by the Security Documents that is in accordance with the Senior Notes Indenture and the Intercreditor Agreement without requiring any consent of the Holders. See “—*Release of Liens*” and “*Risk Factors—Risks Related to Our Structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically and under which the Notes Guarantees will be released automatically, without your consent or any action on the part of the Trustee.*” In addition, the terms of the Security Documents themselves provide for assets to cease to become subject to security in certain circumstances without need for a formal release, such as the sale of assets which are subject to a charge, or the exclusion of certain assets from a debenture if such assets may not be subject to security (such as, for example, assets that may not be validly pledged, or assets that are subject to a Permitted Lien). The Security Agent will commence enforcement action under the Security Documents only in accordance with the terms of the Intercreditor Agreement. See “—*Enforcement of Security Interest.*”

In the event that any of the Security Providers, the Senior Notes Issuer, or any of the Senior Notes Guarantors enters into insolvency, bankruptcy, dissolution or similar proceedings, the Security Interest created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interest or the terms of the Intercreditor Agreement were successful, the Holders might not be able to recover any amounts under the Security Documents. See “*Risk Factors—Risks Related to the Notes and Notes Guarantees—Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability.*”

Release of Liens

The Security Providers, the Senior Notes Issuer and the Senior Notes Guarantors will be entitled, in addition to the circumstances described above, to require the Security Agent to release the Security Interest in respect of the Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantees under any one or more of the following circumstances:

- (1) in the case of Senior Notes Collateral owned by the Company or a Restricted Subsidiary of the Company, in connection with any sale or disposition of such property or assets to (a) any Person that is not the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or a Restricted Subsidiary either before or after giving effect to such transaction, if such sale or other disposition does not violate the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” or (b) to the Company or any Senior Notes Guarantor; *provided* that such transfer is otherwise in compliance with the Senior Notes Indenture and, in the case of clause (b), immediately following such sale or disposition, a Lien of at least equivalent ranking over the same assets or property exists or is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Notes Trustee for the Holders);
- (2) in connection with the release of a Senior Notes Guarantor from its Senior Notes Guarantee pursuant to the terms of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Senior Notes Guarantor;
- (3) if the Senior Notes Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture, the release of the property, assets and Capital Stock of such Unrestricted Subsidiary;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*,”
- (5) in compliance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement relating to disposals of assets subject to security (see “*Description of Other Indebtedness—Intercreditor Agreement*”);
- (6) (i) in accordance with “—*Amendments and Waivers*,” (ii) in accordance with “—*Certain Covenants—Impairment of Security Interest*,” and (iii) in accordance with the second paragraph under “—*Certain Covenants—Limitation on Liens*” so long as immediately after the release there is no other Indebtedness secured by a Lien on the property or assets that was the subject of the Initial Lien that would result in the requirement for the Senior Notes and the Senior Notes Guarantees to be secured equally and ratably with, or prior to, such Lien;
- (7) in order to effectuate a merger, consolidation, conveyance or transfer conducted in compliance with the covenant described under “—*Certain Covenants—Merger and Consolidation*,” *provided* that following such merger, consolidation, conveyance or transfer, a Lien of at least equivalent ranking over the same assets or property is granted in favor of the Security Agent (on its own behalf and on behalf of the Senior Notes Trustee for the Holders) to the extent such assets or property continue to exist as assets or property of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or a Restricted Subsidiary of the Company; and
- (8) upon the full and final payment and performance of all obligations of the Company under the Senior Notes Indenture and the Senior Notes.

The Security Agent and the Senior Notes Trustee (only if required) will take all necessary action reasonably requested by the Senior Notes Issuer required to effectuate any release of Senior Notes Collateral securing the Senior Notes and the Senior Notes Guarantees, in accordance with the provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement

and the relevant Security Documents. Each of the releases set forth above shall be permitted to be effected by the Security Agent without the consent of the Holders or any action on the part of the Senior Notes Trustee.

Enforcement of Security Interest

The ability of the Security Agent to enforce any Security Interest is restricted by the terms of the Intercreditor Agreement by reference to the interests of the lenders under the Revolving Credit Facility, the counterparties to certain Hedging Obligations and the holders of the Senior Secured Notes. See “*Description of Other Indebtedness—Intercreditor Agreement.*” It may also be restricted by similar arrangements in relation to future Indebtedness that is secured by the Senior Notes Collateral in compliance with the Senior Notes Indenture and the Intercreditor Agreement.

Similar provisions may be included in any Additional Intercreditor Agreement entered into in compliance with “*—Certain Covenants—Additional Intercreditor Agreements.*”

To establish the relative rights of certain creditors of the Senior Notes Issuer and the Senior Notes Guarantors under our financing arrangements, including, without limitation, the Senior Notes, the Revolving Credit Facility, certain Hedging Obligations and the Senior Secured Notes, the Senior Notes Issuer and the Senior Notes Guarantors, the agent under the Revolving Credit Facility, the Senior Notes Trustee, the trustee under the Senior Secured Notes Indenture and the Security Agent will enter into the Intercreditor Agreement. See “*Description of Other Indebtedness—Intercreditor Agreement.*” Any proceeds received upon any enforcement over any Senior Notes Collateral and certain distressed disposals, after all obligations under the Revolving Credit Facility and the Senior Secured Notes have been repaid and such Hedging Obligations have been discharged from such recoveries, will be applied *pro rata* in repayment of all obligations under the Senior Notes Indenture, the Senior Notes and the Senior Notes Guarantees and any other obligations of the Senior Notes Issuer and the Senior Notes Guarantors permitted to be Incurred and secured by the Senior Notes Collateral on a *pari passu* basis pursuant to the Senior Notes Indenture and the Intercreditor Agreement.

Optional Redemption

Except as described below and except as described under “*—Redemption for Taxation Reasons,*” the Senior Notes are not redeemable until December 15, 2016. On and after December 15, 2016, the Senior Notes Issuer may redeem all or, from time to time, part of the Senior Notes upon not less than 10 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods indicated below:

<u>Year</u>	<u>Redemption Price</u>
From December 15, 2016 to December 14, 2017	104.250%
From December 15, 2017 to December 14, 2018	102.125%
From December 15, 2018 and thereafter	100.0%

Unless the Senior Notes Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Senior Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption and notice may, in the Senior Notes Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent.

Prior to December 15, 2016, the Senior Notes Issuer may on any one or more occasions redeem up to 40% of the original aggregate principal amount of the Senior Notes (including the aggregate principal amount of any Additional Senior Notes), upon not less than 10 nor more than 60 days’ notice, with funds in an aggregate amount (the “*Redemption Amount*”) not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 108.500% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date

(subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

- (1) at least 60% of the original aggregate principal amount of the Senior Notes (including the aggregate principal amount of any Additional Senior Notes) remains outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

Any redemption notice given in respect of the redemption referred to in the preceding paragraph may be given prior to completion of the related Equity Offering, and any such redemption or notice may, at the Senior Notes Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the completion of the related Equity Offering.

In addition, prior to December 15, 2016, the Senior Notes Issuer may redeem all or, from time to time, a part of the Senior Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any such redemption and notice may, at the Senior Notes Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

General

Notice of redemption will be provided as set forth under "*Selection and Notice*" below.

If the Senior Notes Issuer effects an optional redemption of the Senior Notes, it will, if and for so long as the Senior 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 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 Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Notes will be subject to redemption by the Senior Notes Issuer.

Sinking Fund

The Senior Notes Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Notes.

Redemption at Maturity

On December 15, 2019, the Senior Notes Issuer will redeem the Senior Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

If less than all the Senior Notes is to be redeemed at any time, the Registrar or the Paying Agent will select Senior Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Senior Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Senior Notes are not so listed or such exchange prescribes no method of selection and the Senior Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection based on a method that most nearly approximates a *pro rata* selection; *provided, however*, that no Senior Note of €100,000 in principal amount or less shall be redeemed in part and only Senior Notes in integral multiples of €1,000, will be redeemed. None of the Senior Notes Trustee, the Paying Agent or the Registrar will be liable for any selections made in accordance with this paragraph.

If and for so long as any Senior 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 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 nor more than 60 days prior to the redemption date, the Senior Notes Issuer shall mail 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. For Senior Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

If any Senior Note is to be redeemed in part only, the notice of redemption that relates to that Senior Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Senior Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Senior Notes or portions of Senior Notes called for redemption.

Redemption for Taxation Reasons

The Senior Notes Issuer may redeem the Senior Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders of the Senior Notes (which notice will be irrevocable) at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Senior Notes Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) which change or amendment is publicly announced and becomes effective after the Issue Date (or, if a Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction on a date after the Issue Date, after such later date); or
- (2) any change in, or amendment to, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction, which change or amendment is publicly announced and becomes effective after the Issue Date (or, if a Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, after such later date) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Senior Notes Issuer is, or on the next interest payment date in respect of the Senior Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Senior Notes Issuer (including, for the avoidance of doubt, the appointment of a new Paying Agent). 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 Senior Notes Issuer would be obliged to pay Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of such Senior Notes pursuant to the foregoing, the Senior Notes Issuer will deliver to the Senior Notes Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Senior Notes Trustee to the effect that the Senior Notes Issuer has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Senior Notes Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above and compliance with the Senior Notes Indenture, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply (a) to any Senior Notes Guarantor only after such time as such Senior Notes Guarantor is obligated to make at least one payment on the Senior Notes and only if the payment giving rise to such requirement cannot be made by the Senior Notes Issuer or another Senior Notes Guarantor without the obligation to pay Additional Amounts and (b) *mutatis mutandis* to any successor Person and to any jurisdiction in which any successor Person is incorporated or organized or otherwise considered to be a resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which such successor Person makes any payment on the Senior Notes or any Senior Notes Guarantee is made by or on behalf of such successor Person and any political subdivision or taxing authority or agency thereof or therein.

Withholding Taxes

All payments made by or on behalf of the Senior Notes Issuer or any Senior Notes Guarantor thereto (each, a “Payor”) on the Senior Notes or any Senior Notes Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction in which a Payor is then incorporated, organized, or otherwise considered to be a resident or maintaining a permanent establishment or doing business for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or
- (2) any jurisdiction from or through which any payment on any such Senior Note or Senior Notes Guarantee is made by or on behalf of such Payor (including, without limitation, the jurisdiction of any Paying agent for the Senior Notes), or any political subdivision or governmental authority thereof or therein having the power to tax (each of clauses (1) and (2), a “*Relevant Taxing Jurisdiction*”),

will at any time be required in respect of any payments made by or on behalf of a Payor under or with respect to any Senior Note or Senior Notes Guarantee, including, without limitation, payments of principal, redemption price, purchase price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by the beneficial owner after such withholding, deduction or imposition (including any such deduction, withholding or imposition in respect of such Additional Amounts), will equal the amounts which would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (a) any Taxes, to the extent such Taxes would not have been so imposed but for the existence of any actual or deemed present or former connection between the relevant Holder or the beneficial owner of a Senior Note (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national or domiciliary of, or carrying on a business or maintaining a permanent establishment, place of business or place of management in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition or ownership of a Senior Note or the receipt of any payment in respect of, or the enforcement of, the Senior Notes or any Senior Notes Guarantee;
- (b) any Taxes, to the extent such Taxes are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Note to comply with a written request of the Payor addressed to the Holder or beneficial owner (and made at a time that would enable the Holder or beneficial owner acting reasonably to comply with that request) to comply with any certification, information, documentation or other reporting requirements, which is required by applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of Taxes imposed by the Relevant Taxing Jurisdiction, but only to the extent the Holder or beneficial owner is legally entitled to provide such certification, information or documentation;
- (c) any Taxes that are required to be paid other than by deduction or withholding from a payment on the Senior Notes or any Senior Notes Guarantee;
- (d) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Tax;
- (e) any Taxes that are required to be deducted or withheld in respect of a payment to an individual and that are required to be made pursuant to the Directive or any other directive implementing the

conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to any such directive;

- (f) any Taxes imposed on a payment on a Senior Note presented for payment (where presentation is permitted or required for payment) to a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Note to another Paying Agent in a member state of the European Union; or
- (g) any Taxes imposed pursuant to Sections 1471 through 1474 of the Code, the Treasury regulations thereunder or any similar law or regulations adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing; or
- (h) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the Holder or beneficial owner had presented the Senior Note for payment (where presentation is permitted or required for payment) within 30 days after the relevant payment was first made available for payment to the Holder or beneficial owner (except to the extent that the Holder or beneficial owner would have been entitled to Additional Amounts had the Senior Note been presented on any day during such 30-day period).

In addition, such Additional Amounts shall not be paid with respect to any payment to any Holder who is a fiduciary or a partnership or any person other than the beneficial owner of such Senior 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 Notes would not have been entitled to such Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Senior Notes directly.

The Payor or the applicable withholding agent will (i) make any required withholding or deduction and (ii) timely remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will (i) 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 or, if notwithstanding such Payor's efforts to obtain such tax receipts, such tax receipts are not obtained, then such other evidence of payment of such Taxes by the Payor as is reasonably satisfactory to the Trustee and (ii) will provide such certified copies or such evidence of payment to the Senior Notes Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Senior Notes Trustee by the Holders or beneficial owners upon request and will be made available at the offices of the Luxembourg Listing Agent if the Senior Notes are then listed on the Luxembourg Stock Exchange.

If any Payor becomes aware that it will be obligated to pay Additional Amounts under or with respect to any payment made on any Senior Note or Senior Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Paying Agent and the Senior Notes 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 or the beneficial owner on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, 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 Senior Notes Trustee and the Paying Agent will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever there are mentioned, in any context in any of the Senior Notes Indenture, the Senior Notes Guarantees or this Description of the Senior Notes: (1) the payment of principal, (2) purchase or redemption price in connection with a purchase or redemption of Senior Notes, (3) interest, or (4) any other amount payable on or with respect to the Senior 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 Payor will pay any present or future stamp, issue, registration, court or documentary Taxes, or any other excise, property or similar Taxes (including any reasonable expenses related thereto) that arise in any Relevant Taxing Jurisdiction from the execution, issuance, delivery, initial resale, or registration or in any tax jurisdiction on the enforcement of any Senior Notes, the Senior Notes Indenture, any Senior Notes Guarantee, the Senior Notes Proceeds Loan Agreement, or any other document or instrument in relation

thereto other than on a transfer of Senior Notes after the initial resale by the Initial Purchasers, or any payments under or with respect thereto, and the Payor agrees to indemnify the Holders or the beneficial owners for any such Taxes paid by or on behalf of such Holders or beneficial owners.

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Notes Indenture, and any transfer by a Holder or beneficial owner of its Senior Notes, and will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which any successor to the Payor is organized, incorporated or otherwise considered to be a resident or maintaining a permanent establishment or doing business for Tax purposes or any jurisdiction from or through which any payment on the Senior Notes or any Senior Notes Guarantee is made by or on behalf of such successor and any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading “*Change of Control*,” each Holder will have the right to require the Senior Notes Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder’s Senior Notes at a purchase price in cash equal to 101% of the principal amount of each Note, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Senior Notes Issuer shall not be obliged to repurchase Senior Notes as described under this heading, “*Change of Control*,” in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Notes as described under “—*Optional Redemption*” and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived.

Unless the Senior Notes Issuer has unconditionally exercised its right to redeem all the Senior Notes as described under “—*Optional Redemption*” and has not defaulted in the payment of the applicable redemption price or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Senior Notes Issuer will send a notice (the “*Change of Control Offer*”) to each Holder of any such Senior Notes, by mail or otherwise in accordance with the procedures set forth in the Senior Notes Indenture, with a copy to the Senior Notes Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Senior Notes Issuer to purchase all or any part of such Holder’s Senior Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “*Change of Control Payment*”);
- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “*Change of Control Payment Date*”) and the record date;
- (3) stating that any Senior 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 Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Senior Notes Issuer, consistent with the Senior Notes Indenture, that a Holder must follow in order to have its Senior 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 Senior Notes Issuer will, to the extent lawful:

- (1) accept for payment all Senior Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

- (2) deposit with an agent an amount equal to the Change of Control Payment in respect of all Senior Notes so tendered;
- (3) deliver or cause to be delivered to the Senior Notes Trustee an Officer's Certificate stating the aggregate principal amount of Senior Notes or portions of the Senior Notes being purchased by the Senior Notes Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Senior Notes or portions thereof that have been tendered to and purchased by the Senior Notes Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Senior Notes Issuer.

If any Definitive Registered Notes have been issued, an agent will promptly mail (or cause to be delivered), at the Senior Notes Issuer's expense, to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Senior Notes, and the Senior Notes Trustee will, at the Senior Notes Issuer's expense, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Senior Notes surrendered, if any; *provided* that each such new Senior Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

If and for so long as the Senior 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 Senior Notes Issuer will publish notices relating to the Change of Control Offer 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 Change of Control provisions described above will be applicable whether or not any other provisions of the Senior Notes Indenture are applicable. Except as described above with respect to a Change of Control, the Senior Notes Indenture does not contain provisions that permit the Holders to require that the Senior Notes Issuer repurchase or redeem the Senior Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Senior Notes Issuer to repurchase such Holder's Senior Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company or its Subsidiaries in a transaction that would constitute a Change of Control.

The Senior Notes 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 Senior Notes Indenture applicable to a Change of Control Offer made by the Senior Notes Issuer and purchases all Senior 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 Senior Notes Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Notes Indenture, the Senior Notes Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Notes Indenture by virtue of the conflict.

The Senior Notes Issuer's ability to repurchase Senior Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility and the Senior Secured Notes. In addition, certain events that may constitute a change of control under the Revolving Credit Facility and the Senior Secured Notes and require a mandatory prepayment of Indebtedness under such instrument may not constitute a Change of Control under the Senior Notes Indenture. Future Indebtedness of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Moreover,

the exercise by the Holders of their right to require the Senior Notes Issuer to repurchase the Senior Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Group. Finally, the Senior Notes Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Senior Notes Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "*Risk Factors—Risks Related to Our Structure—We may not be able to obtain the funds required to repurchase the Notes upon a change of control.*"

In addition, the definitions of "*Change of Control*" and "*Permitted Holders*" expressly permit a third party to obtain control of the Company in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control Offer.

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 a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Senior Notes Issuer to make an offer to repurchase the Senior Notes as described above.

The provisions of the Senior Notes Indenture relating to the Senior Notes Issuer's obligation to make an offer to repurchase the Senior Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in aggregate principal amount of the Senior Notes.

Certain Covenants

Limitation on Indebtedness

The Company, the Senior Notes Issuer and the Senior Secured Notes Issuer will not, and the Company will not permit any of its Restricted Subsidiaries to, incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer and any of the Company's Restricted Subsidiaries 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 for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred would have been at least 2.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of €80 million and 70% 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, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary of Indebtedness of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary in each case, so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Notes Indenture (other than pursuant to this clause (2)); *provided that*, if Indebtedness being Guaranteed is subordinated to or *pari passu* with the Senior Notes or a Senior Notes Guarantee, then the Guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed; and
(b) without limiting the covenant described under "*—Limitation on Liens,*" Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Notes Indenture (other than pursuant to this clause (2));
- (3) Indebtedness of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the

Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary; *provided, however*, that:

- (a) (1) 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, the Senior Notes Issuer, the Senior Secured Notes Issuer or a Restricted Subsidiary of the Company; and (2) any sale or other transfer of any such Indebtedness to a Person other than the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer 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 by the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or such Restricted Subsidiary, as the case may be; and
 - (b) if the Senior Notes Issuer or a Senior Notes Guarantor is the obligor on such Indebtedness and the payee is not the Senior Notes Issuer or a Senior Notes Guarantor, such Indebtedness must be (a) unsecured and (b) except in respect of the intercompany current liabilities Incurred in the ordinary course of business, expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior Notes or the relevant Senior Notes Guarantee as applicable in the manner and to the extent provided for in the Intercreditor Agreement;
- (4) (a) Indebtedness represented by (i) the Senior Notes (other than any Additional Senior Notes) and the Senior Notes Guarantees thereof and the Senior Notes Proceeds Loan and (ii) the Senior Secured Notes (other than any Additional Senior Secured Notes), the guarantees of the Senior Secured Notes and the Senior Secured Notes Proceeds Loan, (b) any Indebtedness (other than Indebtedness described in clauses (1), (3) and (4)(a) of this paragraph) entered into or outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in sub-clauses (a), (b) and (c) of this clause (4) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;
- (5) Indebtedness of (x) the Senior Notes Issuer or any Senior Notes Guarantor Incurred to finance an acquisition or (y) Persons that are acquired by the Company or any of its Restricted Subsidiaries or merged, consolidated, amalgamated with or into the Company or any of its Restricted Subsidiaries in accordance with the terms of the Senior Notes Indenture; *provided, however*, that after giving effect to such acquisition or merger, consolidation or amalgamation either: (a) the Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant; or (b) the Fixed Charge Coverage Ratio of the Company would not be less than it was immediately prior to giving effect to such acquisition or merger, consolidation or amalgamation;
- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or the Company's Restricted Subsidiaries and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Senior Notes Issuer);
- (7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of €25 million and 1.5% 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; *provided, however*, that upon the drawing of such letters of

credit or other similar instruments, the obligations are reimbursed within 60 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

- (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, the Senior Notes Issuer, the Senior Secured Notes Issuer and the Company's Restricted Subsidiaries in respect of all such Indebtedness in connection with any such disposition 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, the Senior Notes Issuer, the Senior Secured Notes Issuer and the Company's 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 30 Business Days of Incurrence;
- (b) take-or-pay obligations, customer deposits and advance payments received in the ordinary course of business consistent with past practice from customers for goods purchased in the ordinary course of business;
- (c) Indebtedness owed on a short-term basis of no longer than 60 days to banks and other financial institutions Incurred in the ordinary course of business of the Group with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Group; and
- (d) Indebtedness Incurred by the Company or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business on arm's length commercial terms;
- (11) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any of the Company's Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, an Excluded Contribution or a Parent Debt Contribution) of the Company, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" to the extent the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any of the Company's 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 (11) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described below under "*—Limitation on Restricted Payments*" in reliance thereon;
- (12) any Guarantees by any Senior Notes Guarantor (other than the Senior Secured Notes Issuer) of Parent Debt, the net proceeds of which have been lent to the Company pursuant to a Company Proceeds Loan; *provided* that such Company Proceeds Loan has been Incurred in compliance with this covenant other than this clause (12); *provided, further*, that such Guarantees are subordinated to the Senior Notes and the Senior Notes Guarantees, as applicable, pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and that such Company Proceeds Loan is

pledged to secure the Senior Notes and the Senior Notes Guarantees on a senior basis in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement;

- (13) Indebtedness of the Company or any Restricted Subsidiary consisting of local lines of credit and overdraft facilities in an aggregate amount at any time outstanding not exceeding the greater of €10 million and 0.5% of Total Assets in the aggregate outstanding at any one time;
- (14) Indebtedness under daylight borrowing facilities Incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred;
- (15) Guarantees of Indebtedness Incurred by franchisees for an aggregate amount at any time outstanding not exceeding €20 million; and
- (16) Indebtedness (including any Refinancing Indebtedness in respect thereof) of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (16) and then outstanding, will not exceed the greater of €50 million and 3.0% of Total Assets.

For purposes of determining compliance with, and the outstanding 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 Senior Notes Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; *provided that* (a) all Indebtedness outstanding under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of the description of this covenant, and may not be reclassified and (b) all Senior Secured Indebtedness Incurred under clause (1) of the second paragraph of this covenant that is secured by Liens on Senior Notes Collateral that is accorded super senior priority status with respect to proceeds of enforcement of Senior Notes Collateral under the Intercreditor Agreement or any Additional Intercreditor Agreement pursuant to clause (1) of the second paragraph may not be reclassified;
- (2) 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;
- (3) 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), (13) or (16) 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;
- (4) the principal amount of any Disqualified Stock of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (5) 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;
- (6) for the purposes of determining "Consolidated EBITDA" under clause (1)(i) 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 Consolidated Leverage Ratio for the Company and (ii) Consolidated EBITDA shall be measured for the most recently ended four full fiscal quarters for which internal financial statements are available; and
- (7) for the purposes of determining "Total Assets" under clauses (7), (13) or (16) of the second paragraph of this covenant, Total Assets shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date upon which Indebtedness is Incurred (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, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this “—*Limitation on Indebtedness*.” The amount of any Indebtedness outstanding as of any date will be: (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS and (ii) the principal amount of the Indebtedness, in the case of any other Indebtedness. For the purposes of determining any particular amount of Indebtedness under this “—*Limitation on Indebtedness*” covenant, obligations with respect to letters of credit, Guarantees or Liens, in each case supporting Indebtedness otherwise included in the determination of such particular amount will not be included.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this “—*Limitation on Indebtedness*,” the Senior Notes Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company, the Senior Notes Issuer and the Senior Secured Notes Issuer will not, and the Company 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, the Senior Notes Issuer’s, the Senior Secured Notes Issuer’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; or
 - (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 any Restricted Subsidiary of the Company 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, the Senior Notes Issuer, the Senior Secured Notes Issuer or any direct or indirect Parent Entity of the Company

held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) or make any cash interest payment or any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or
- (4) 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 (4) are referred to herein as a “*Restricted Payment*”), if at the time the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or such Restricted Subsidiary makes such Restricted Payment:
 - (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
 - (b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Limitation on Indebtedness*” after giving effect, on a *pro forma* basis, to such Restricted Payment; or
 - (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5) (without duplication of amounts paid pursuant to any other clause of the second succeeding paragraph), (10) and (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):
 - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the 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 of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (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 and Parent Debt Contributions);
 - (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value 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, the Senior Notes Issuer, the Senior Secured Notes Issuer 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 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 proceeds in reliance on clause (6) of the second succeeding paragraph and (y) Excluded Contributions or Parent Debt 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, the Senior Notes Issuer, the Senior Secured Notes Issuer 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), constituted a Restricted Payment made after the Issue Date; *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 of property or assets or of 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, the Senior Secured Notes Issuer, the Senior Notes Issuer 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 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 Senior Notes Issuer’s option) included under this clause (v).

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 conclusively by an Officer or the Board of Directors of the Senior Notes Issuer acting in good faith.

The foregoing provisions will not prohibit any of the following (collectively, “*Permitted Payments*”):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale 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 or a Parent Debt Contribution) of the Company; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph describing this covenant and will not be considered Excluded Contributions or Parent Debt Contributions or to be net cash proceeds from an Equity Offering for the purposes of “*Optional Redemption*” provisions of the Senior Notes;

- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Company or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
 - (a) (i) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if the Senior Notes Issuer shall have complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Senior Notes tendered pursuant to any offer to repurchase all the Senior Notes required thereby, prior to or substantially concurrently with 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 required, if the Senior Notes Issuer shall have complied with the terms described under “—*Change of Control*” and purchased all Senior Notes tendered pursuant to the offer to repurchase all the Senior Notes required thereby, prior to or substantially concurrently with 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) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent Entity or any entity formed for the purpose of investing in Capital Stock of the Company to permit any Parent Entity or such other entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (1) €4 million in any calendar year (with any unused amounts being carried over in succeeding calendar years), plus (2) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent Entity) 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 have not otherwise been designated as Excluded Contributions or Parent Debt Contributions and 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 “—*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 Entity or other payments by the Company or any Restricted Subsidiary to Affiliates in amounts not to exceed (without duplication) the following amounts (rounded up to the next higher hundred thousand euro):
 - (a) any Parent Expenses or any Related Taxes; or
 - (b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Refinancing or (ii) to the extent specified in clauses (2), (3), (5), (7), (11), (12), (13) and (14) of the second paragraph under “—*Limitation on Affiliate Transactions*;”
- (10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent Entity to pay, dividends on the common stock or common equity interests of the Company, any Parent Entity following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Company or contributed as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.00 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 4.25 to 1.00; *provided, further* that, if such Public Offering was of Capital Stock of a Parent Entity, the net proceeds of any such dividends or distributions are used to fund a corresponding dividend or other distribution in equal or greater amount on the Capital Stock of such Parent Entity;
- (11) payments by the Company, or loans, advances, dividends or distributions to any Parent Entity to make payments, to holders of Capital Stock of the Company or any Parent Entity in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by an Officer or the Board of Directors of the Company);
- (12) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (12);
- (13) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;
- (14) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent Entity or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent Entity or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock, an Excluded Contribution or a Parent Debt

Contribution or, in the case of Designated Preference Shares by a Parent Entity or an Affiliate, the issuance of Designated Preference Shares) of the Company or contributed as Subordinated Shareholder Funding to the Company, as applicable, from the issuance or sale of such Designated Preference Shares;

- (15) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (16) (i) payment under a Company Proceeds Loan Incurred in compliance with the “*Limitation on Indebtedness*” covenant, other than clause (12) of the second paragraph of such covenant, for the purpose of making corresponding interest payments on the applicable Indebtedness Incurred by a Parent Entity, and (ii) if net proceeds of Parent Debt were contributed as a Parent Debt Contribution, payments to a Parent Entity for the purposes of making corresponding interest payments on such Parent Debt (whether directly or indirectly through a Parent Entity); *provided* that, (x) in each case, the Parent Entity applies such payments substantially concurrently with the receipt of such payments and (y) in the case of (ii), such payments to such Parent Entity may only be made to the extent that the net proceeds of the Parent Debt for which the corresponding interest payment is to be made have been contributed to the Senior Notes Issuer as a Parent Debt Contribution; *provided, further*, that any interest payments on Parent Debt pursuant to subclause (ii) may only be made if, at the time such Parent Debt was Incurred by the Parent Entity, the Senior Notes Issuer could have Incurred, or provided a Guarantee for, Indebtedness pursuant to the covenant titled “*Limitation on Indebtedness*” in an aggregate amount equal to the amount of Parent Debt on which interest payments are sought to be made pursuant to subclause (ii); and
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom),
 - (i) Restricted Payments in an aggregate amount outstanding at any time not to exceed €30 million and
 - (ii) any other Restricted Payment if the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to such Restricted Payment does not exceed 3.25 to 1.00.

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, the Senior Notes Issuer, the Senior Secured Notes Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by an Officer or the Board of Directors of the Senior Notes Issuer acting in good faith.

Limitation on Liens

The Company, the Senior Notes Issuer and the Senior Secured Notes Issuer will not, and the Company will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company) and none of the Security Providers and the Senior Secured Notes Issuer will, directly or indirectly, create, Incur or suffer to exist any Lien on the Senior Notes Collateral owned by it, in each case whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “*Initial Lien*”), except (a) in the case of any property or asset that does not constitute Senior Notes Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Notes and the Senior Notes Indenture (or a Senior Notes Guarantee in the case of Liens of a Senior Notes Guarantor) are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, or in the case of Liens securing Indebtedness Incurred pursuant to clauses (1), (6) or (7) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*,” *pari passu* with (except that such Indebtedness may receive priority in respect of distributions of proceeds of any enforcement of Collateral) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Senior Notes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under “—*Security—Release of Liens*.”

Limitation on Layered Debt

None of the Senior Notes Issuer, the Company or the Senior Notes Guarantors will incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is contractually subordinated or junior in any respect in right of payment to any other Indebtedness of the Senior Notes Issuer, the Company or any Senior Notes Guarantor unless such Indebtedness is also subordinated in right of payment to the Senior Notes or the relevant Senior Notes Guarantee, as the case may be, on substantially identical terms, *provided, however*, that no Indebtedness will be deemed to be contractually subordinated or junior in right of payment to any other Indebtedness of the Senior Notes Issuer, the Company or any Senior Notes Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on 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 to the Company or pay any Indebtedness or other obligations owed to the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer;
- (B) make any loans or advances to the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer; or
- (C) sell, lease or transfer any of its property or assets to the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer;

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, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility); or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date, and any amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings of those agreements referred to in clauses (a) and (b); *provided* that such amendments, restatements, modifications, renewals, supplements, refunding, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payments restrictions than those contained in those agreements on the Issue Date, as applicable (as determined in good faith by the Senior Notes Issuer);
- (2) any encumbrances or restrictions existing under or by reason of the Senior Notes Indenture, the Senior Notes, the Senior Notes Guarantees, the Senior Secured Notes Indenture, the Senior Secured Notes or the guarantees of the Senior Secured Notes, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents;
- (3) 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 was designated a 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 any Restricted Subsidiary or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (3), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such

Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;

- (4) 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), (2) or (3) of this paragraph or this clause (4) (an “*Initial Agreement*”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1), (2) or (3) of this paragraph or this clause (4); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument (i) 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 Senior Notes Issuer) or (ii) are customary in comparable financings and where, in the case of this sub-clause (ii), the Senior Notes Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any material respect, the Company’s ability to make payments of principal or interest on the Senior Notes Proceeds Loan or the Senior Notes Issuer’s ability to make principal or interest payments on the Senior Notes (as determined in good faith by the Senior Notes Issuer);
- (5) 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 Senior Notes Indenture or securing Indebtedness of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or a Restricted Subsidiary permitted under the Senior Notes 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;
- (6) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;
- (7) 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;
- (8) provisions in leases, licenses, joint venture agreements and other similar agreements and instruments;
- (9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (10) 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;
- (11) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (12) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” (other than any refinancing of Indebtedness which is subject to clause (4) above) (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Notes (in the good faith determination of the Senior Notes Issuer) than the encumbrances and restrictions contained in the Revolving Credit Facility, the Senior Notes Indenture, the Security Documents and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) where the Senior Notes Issuer determines at the time of issuance of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Company’s ability

to make payments of principal or interest on the Senior Notes Proceeds Loan or the Senior Notes Issuer's ability to make principal or interest payments on the Senior Notes as and when they become due or (b) constituting an Additional Intercreditor Agreement;

- (13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of the Senior Notes Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or
- (14) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens.*"

Limitation on Sales of Assets and Subsidiary Stock

The Senior Notes Issuer, the Senior Secured Notes Issuer and the Company will not, and the Company will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Senior Notes Issuer, the Senior Secured Notes Issuer, 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 an Officer or the Board of Directors of the Senior Notes Issuer, of the shares and/or assets subject to such Asset Disposition; and
- (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 Senior Notes Issuer, Senior Secured Notes Issuer, the Company or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

After the receipt of Net Available Cash from an Asset Disposition, the Senior Notes Issuer, Senior Secured Notes Issuer, the Company or the applicable Restricted Subsidiary, as the case may be, may apply an amount equal to such Net Available Cash (at the option of such Person):

- (a) (i) to prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof 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) (except in the case of any revolving Indebtedness, including but not limited, to the Revolving Credit Facility), the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or such Restricted Subsidiary will be required to retire such Indebtedness or cause the related commitment to be permanently reduced; (ii) unless included in (a)(i), to prepay, repay, purchase or redeem Pari Passu Indebtedness that is secured in whole or in part by a Lien on the Senior Notes Collateral which Lien ranks *pari passu* with the Liens securing the Senior Notes and the Senior Notes Guarantees 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, purchase or redemption so long as the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or such Restricted Subsidiary makes an offer on a *pro rata* basis to all Holders of the Senior Notes at a purchase price equal to 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase; (iii) to prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Company that is not a Senior Notes Guarantor or any Indebtedness that is secured on assets which do not constitute Senior Notes Collateral (in each case, other than Subordinated Indebtedness of the Senior Notes Issuer or a Senior Notes Guarantor or Indebtedness owed to the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary); (iv) to prepay, repay, purchase or redeem any Senior Indebtedness or (v) to purchase the Senior Notes pursuant to an offer to all Holders of Senior Notes at a purchase price in cash equal to at least 100% of the principal amount of the Senior Notes, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);
- (b) to the extent the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or such Restricted Subsidiary elects, to invest in or purchase or commit to invest in or purchase Additional

Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Restricted Subsidiary of the Company) 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 pursuant to a commitment approved by the Board of Directors of the Senior Notes Issuer 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;

- (c) to make a capital expenditure 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 any such capital expenditure made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors of the Senior Notes Issuer 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; or
- (d) any combination of the foregoing;

provided that, pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer and the Company's Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Senior Notes Indenture.

If an amount less than the Net Available Cash from Asset Dispositions is applied or invested or committed to be applied or invested as provided in the preceding paragraph, an amount equal to the difference will be deemed to constitute "*Excess Proceeds*." On the 366th day (or the 546th day, in the case of any Net Available Cash committed to be used pursuant to a definitive binding agreement or commitment approved by the Board of Directors of the Senior Notes Issuer pursuant to clauses (b) or (c) of the second paragraph of this covenant), after the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds €25 million, the Senior Notes Issuer will be required within ten Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders of Senior Notes and, to the extent the Senior Notes Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior 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 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 Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Notes Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, and in the case of the Senior Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Senior Notes Issuer, the Company or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the expiration of the 365-day period mentioned above.

To the extent that the aggregate amount of Senior 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 Senior Notes Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Notes Indenture. If the aggregate principal amount of the Senior 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 Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Notes and Pari Passu Indebtedness, or by such other method as (i) the Senior Notes Trustee and (ii) the trustee, agent or similar representative of such Pari Passu Indebtedness, after consultation with the Senior Notes Issuer, deem fair and appropriate (and in such manner as complies with applicable legal, depositary and exchange requirements). For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Senior Notes 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. The Senior Notes Trustee shall not have any liability in connection with any method elected under this paragraph.

To the extent that any portion of Net Available Cash payable in respect of the Senior Notes is denominated in a currency other than the currency in which the relevant Senior Notes are denominated, the amount thereof payable in respect of such Senior Notes shall not exceed the net amount of funds in the currency in which such Senior Notes are denominated that is actually received by the Senior Notes Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Senior 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 (5) Business Days after the termination of the Asset Disposition Offer Period (the “*Asset Disposition Purchase Date*”), the Senior Notes Issuer will purchase the principal amount of Senior Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the “*Asset Disposition Offer Amount*”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Senior Notes 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 Notes and Pari Passu Indebtedness or portions of Senior 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 Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in the case of the Senior Notes, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Senior Notes Issuer will deliver to the Senior Notes Trustee an Officer’s Certificate stating that such Senior Notes or portions thereof were accepted for payment by the Senior Notes Issuer in accordance with the terms of this covenant. The Senior Notes 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 Notes an amount equal to the purchase price of the Senior Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Senior Notes Issuer for purchase, and the Senior Notes Issuer will promptly issue a new Senior Secured Note (or amend the applicable Global Note), and the Senior Notes Trustee, upon delivery of an Officer’s Certificate from the Senior Notes Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Senior Secured Note to such Holder, in a principal amount equal to any unpurchased portion of the Senior Secured Note surrendered; *provided* that each such new Senior Secured Note will be in a principal amount with a minimum denomination of €100,000 and in integral multiples of €1,000 in excess thereof. Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Senior Notes Issuer to the Holder thereof.

For the purposes of clause (2) 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, the Senior Notes Issuer, the Senior Secured Notes Issuer or other liabilities (other than contingent liabilities) recorded on the balance sheet of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer (other than Subordinated Indebtedness of the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer) or Indebtedness of a Restricted Subsidiary or other liabilities (other than contingent liabilities) recorded on the balance sheet of such Restricted Subsidiary and the release of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer 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, the Senior Notes Issuer, the Senior Secured Notes Issuer and each Restricted Subsidiary of the Company are released from any guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Senior Notes Issuer or any Senior Notes Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer 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, as determined in good faith by an Officer or the Board of Directors of the Senior Notes Issuer, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €25 million and 1.5% of Total Assets (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 Senior Notes Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Notes pursuant to the Senior Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Senior Notes Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Notes Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Company, the Senior Notes Issuer and the Senior Secured Notes Issuer will not, and the Company will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (any such transaction or series of related transactions being “*Affiliate Transactions*”) involving aggregate value in excess of €7.5 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s length dealings with a Person who is not such an Affiliate;
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €15 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 Senior Notes Issuer resolving that such transaction complies with clause (1) above; and
- (3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €30 million, the Senior Notes Issuer has received a written opinion from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer and the Company’s Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm’s-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Restricted Payments*,” any Permitted Payments or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b) and (2) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent Entity, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Senior Notes Issuer, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;

- (4) any transaction between or among the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary of the Company or any Parent Entity (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) 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 in the good faith judgment of the Senior Notes Issuer and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering; *provided* that such performance does not involve the payment of fees or commissions to Affiliates and does not involve the payment of underwriting fees, commissions or discounts on behalf of shares sold by Affiliates;
- (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, sellers of goods or services or franchisees, in each case in the ordinary course of business (including, without limitation, pursuant to joint venture arrangements), which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the 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 Senior Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement, as applicable;
- (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 Entity) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount, not to exceed €5 million per fiscal year and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent Entity) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions, divestitures or joint ventures, which payments in respect of this clause (b) are approved in good faith by a majority of disinterested members of the Board of Directors of the Senior Notes Issuer;
- (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;
- (13) any transaction effected as part of a Qualified Receivables Financing;

- (14) the Refinancing; and
- (15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Senior Secured Notes Issuer, the Senior Notes Issuer, the Company or any of its Subsidiaries that is conducted on arm's length terms and provides for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Maintenance of Listing

The Senior Notes Issuer will use its commercially reasonable efforts to list, and maintain the listing, of the Senior Notes on the Euro MTF Market of the Luxembourg Stock Exchange for so long as such Senior Notes are outstanding; *provided* that if at any time the Senior Notes Issuer determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain (prior to the delisting of the Senior Notes, if applicable) and maintain a listing on another recognized stock exchange.

Reports

For so long as any Senior Notes are outstanding, the Company will provide to the Senior Notes Trustee the following reports:

- (1) within 120 days (or in the case of the fiscal year ending February 1, 2015, 150 days) after the end of each fiscal year of the Company beginning with the year ending February 1, 2015, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* 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 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; and (e) a description of material risk factors and material recent developments;
- (2) within 60 days (or in the case of the first fiscal quarter of 2014, 90 days) following the end of the first three fiscal quarters in each fiscal year of the Company beginning with the quarter ending April 30, 2014, 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 and cash flow for the most recent year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant fiscal quarter (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); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, EBITDA and material changes in liquidity and capital resources, 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 or restructuring, merger or similar transaction, or any change in a senior executive officer of the Company or change in auditors of the Company, or any other material event that the Company announces publicly, a report containing a description of such event.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, no financial information required pursuant to clause (1) above need be audited if not presented on an audited basis by the Company in its financial statements included in the Offering Memorandum and may be presented for the Company if so presented in the Offering Memorandum. At any time with respect to any reporting period, the Company may elect the Parent to become the reporting entity for purposes of this covenant in place of the Company, in which case references to “the Company” in the first, second and third paragraphs of this covenant shall be deemed to refer to the Parent; *provided* that if such an election is made, then the annual and quarterly reports of the Parent provided pursuant to the first paragraph of this covenant shall be accompanied by a description of the material differences, if any, between the financial condition and results of operations of the Company on a consolidated basis and the Parent on a consolidated basis.

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 Group separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company or (ii) standalone 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, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Senior Notes 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 or (ii) otherwise to provide substantially comparable public 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 Notes. In the event that (i) the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13 (a) with the SEC or (ii) the Company elects to provide to the Senior Notes Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Company) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of IFRS information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Company will make available to the Senior Notes Trustee such annual reports, information, documents and other reports that the Company is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Company will be deemed to have complied with the provisions contained in the preceding four paragraphs.

If and for so long as the Senior 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 Company’s organizational documents and the Senior Notes Indenture and the most recent consolidated financial statements published by the Company may be inspected and obtained at the office of the Listing Agent. See “*Listing and General Information.*”

In addition, so long as the Senior 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 Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Company, the Senior Notes Issuer and the Senior Secured Notes Issuer

None of the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer will consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose 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 Company*”) (if not the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, as applicable) will be a Person organized and existing under the laws of any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, as applicable) will expressly assume, (a) by supplemental indenture, executed and delivered to the Senior Notes Trustee, in form reasonably satisfactory to the Senior Notes Trustee, all the obligations of the Company or the Senior Secured Notes Issuer under its Senior Notes Guarantee and the Company or the Senior Notes Issuer under the Senior Notes Indenture and the Senior Notes, as applicable, and (b) all obligations of the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer under the Senior Notes Proceeds Loan, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) only in the case of a transaction involving the Company, immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Senior Notes Issuer shall have delivered to the Senior Notes 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 Senior Notes Indenture and that all conditions precedent in the Senior Notes Indenture relating to such consolidation, merger or transfer have been satisfied and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company and that all conditions precedent in the Senior Notes Indenture relating to such consolidation, merger or transfer have been satisfied (in each case, in form and substance reasonably satisfactory to the Senior Notes Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Limitation on Indebtedness*.”

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of 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 Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, as applicable, under the Senior Notes Indenture, but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Senior Notes Indenture or the Senior 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, notwithstanding clause (4) of the first paragraph of this covenant (which does not apply to transactions referred to in this sentence), (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 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 that is a Senior Notes Guarantor (other than the Senior Secured Notes Issuer) and (c) any Restricted Subsidiary that is not a Senior Notes Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary that is not a Senior Notes Guarantor. Notwithstanding the preceding clause (3) (which does not apply to the transactions referred to in this sentence), the Company, the Senior Notes Issuer or the Senior Secured Notes 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 Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, as applicable, reincorporating the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, as applicable, in another jurisdiction, or changing the legal form of the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, as applicable.

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 “*Merger and Consolidation*” covenant) shall not apply to (i) any transactions which constitute an Asset Disposition by the Company, if the Company, the Senior Notes Issuer and the Senior Secured Notes Issuer have complied with the covenant described under “—*Limitation on Sales of Assets and Subsidiary Stock*” or (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Company.

The Senior Notes Guarantors

None of the Senior Notes Guarantors (other than the Senior Secured Notes Issuer, and other than a Senior Notes Guarantor whose Senior Notes Guarantee is to be released in accordance with the terms of the Senior Notes Indenture or the Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Senior Notes Guarantor is the surviving corporation),
- (2) 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, or
- (3) permit any Person to merge with or into it unless
 - (A) the other Person is the Company or any Restricted Subsidiary that is a Senior Notes Guarantor or becomes a Senior Notes Guarantor; or
 - (B) (1) either (x) a Senior Notes Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Senior Notes Guarantor under its Senior Notes Guarantee and the Senior Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Senior Notes Trustee) and all obligations of the Senior Notes Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents to which it is a party; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or
 - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Senior Notes Guarantor or the sale or disposition of all or substantially all the assets of a Senior Notes Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Senior Notes Indenture and the proceeds therefrom are applied as required by the Senior Notes Indenture.

Notwithstanding the preceding clause (B)(2) (which does not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer

all or part of its properties and assets to a Senior Notes Guarantor (other than the Senior Secured Notes Issuer) or the Company and (b) any Senior Notes Guarantor (other than the Senior Secured Notes Issuer) may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Senior Notes Guarantor (other than the Senior Secured Notes Issuer) or the Company.

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 Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “*Suspension Event*”), then, the Senior Notes Issuer shall notify the Senior Notes Trustee of these events and beginning on that day and continuing until such time, if any, at which the Senior Notes cease to have Investment Grade Status (the “*Reversion Date*”), the provisions of the Senior Notes Indenture summarized under the following captions will not apply to the Senior Notes: “—*Limitation on Restricted Payments*,” “—*Limitation on Indebtedness*,” “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*,” “—*Limitation on Affiliate Transactions*,” “—*Limitation on Sales of Assets and Subsidiary Stock*,” the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and Consolidation*” and “—*Impairment of Security Interest*” and, in each case, any related default provision of the Senior Notes Indenture will cease to be effective and will not be applicable to the relevant Security Providers, the Senior Notes Issuer, the Senior Secured Notes Issuer or 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 relevant Security Providers, Senior Notes Issuer, the Senior Secured Notes Issuer or the Company or any of its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and (i) the “—*Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Senior Notes Indenture other than during the period beginning with the Suspension Event and ending on the Reversion Date, (ii) any transactions prohibited by the covenant described under “—*Limitation on Affiliate Transactions*” entered into after such reinstatement pursuant to an agreement entered into during the continuance of the Suspension Event shall be deemed to be permitted pursuant to clause (6) of the second paragraph of the covenant described under “—*Limitation on Affiliate Transactions*,” (iii) any encumbrance or restriction on the ability of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary to take any action described in clauses (A), (B) and (C) of the first paragraph of the covenant described under “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*” that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (1) or (12) of the second paragraph of the covenant described under “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*” and (iv) all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Senior Notes Issuer’s option, as having been Incurred pursuant to the first paragraph of the covenant described under “—*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 the 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 “—*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 “—*Limitation on Indebtedness*.” The Senior Notes Trustee shall not be obliged to notify Holders of a Suspension Event or Reversion Date.

Limitation on Senior Notes Issuer Activities

The Senior Notes Issuer will not:

- (1) engage in any business activity, except any activity (i) reasonably relating to the offering, sale, issuance, incurrence and servicing, purchase, redemption, amendment, exchange, refinancing or retirement of or investment in the Senior Notes, any Additional Notes or other Indebtedness permitted by the terms of the Senior Notes Indenture; (ii) undertaken with the purpose of fulfilling any other obligations under the Senior Notes, any Additional Notes, the Senior Notes Indenture, other Indebtedness or any other obligations permitted by the terms of the Senior Notes Indenture

(including its guarantee of the Senior Secured Notes); (iii) directly related or reasonably incidental to the establishment or maintenance of the Senior Notes Issuer's corporate existence, the acquisition, holding or disposition of assets permitted to be held by it under the Senior Notes Indenture or reasonably related to its function as a finance subsidiary; or (iv) not specifically enumerated above that is immaterial in nature; or

- (2) own any assets or property other than intercompany Indebtedness (including the Senior Notes Proceeds Loan), cash and Cash Equivalents, any Indebtedness of the Senior Notes Issuer or any assets and properties incidental to engaging in the business activities set forth in clause (1) of this covenant and other assets and properties that are immaterial in nature; *provided* that the Senior Notes Issuer may from time to time receive in a transaction otherwise permitted under the Senior Notes Indenture properties and assets (including cash, Cash Equivalents, Temporary Cash Investments, shares of Capital Stock of another Person and Indebtedness and other obligations) for the purpose of transferring such properties and assets to any holding company of the Senior Notes Issuer so long as in any case such further transfer is made promptly by the Senior Notes Issuer and, after giving effect thereto, the Senior Notes Issuer is again in compliance with this clause.

Impairment of Security Interest

The Parent, the Senior Notes Issuer, the Company and any other Senior Notes Guarantor shall not, and the Company 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 Senior Notes 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 Senior Notes Collateral); and the Parent, the Senior Notes Issuer, the Company and any other Senior Notes Guarantor shall not, and the Company shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Senior Notes Trustee and the Holders and/or the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any Lien in any of the Senior Notes Collateral; *provided* that (a) the Security Providers, the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and the Company's Restricted Subsidiaries may Incur Permitted Collateral Liens and (b) the Senior Notes Collateral may be discharged, amended, extended, renewed, restated, supplemented, modified, replaced or released in accordance with the Senior Notes Indenture, the applicable Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided, however*, that, subject to the foregoing proviso, the Security Documents may be discharged, amended, extended, renewed, restated, modified, supplemented, replaced or released to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) provide for the release of any Security Interest on any properties and assets constituting Senior Notes Collateral from the Lien of the Security Documents; *provided* that such release is followed by the substantially concurrent retaking of a Lien of at least equivalent priority over the same properties and assets securing the Senior Notes or any Senior Notes Guarantee; (iv) add to the Senior Notes Collateral; (v) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement; (vi) evidence the succession of another Person to the Senior Notes Issuer or a Senior Notes Guarantor and the assumption by such successor of the obligations under the Indenture, the Senior Notes, the applicable Senior Notes Guarantee and the Security Documents, in each case, in accordance with “—*Merger and Consolidation*;” or (vii) evidence and provide for the acceptance of the appointment of a successor trustee or Security Agent; *provided* that, contemporaneously with any such action in clauses (ii) and (iii), the Senior Notes Issuer delivers to the Senior Notes Trustee, (1) a solvency opinion, in form and substance reasonably satisfactory to the Senior Notes Trustee from an Independent Financial Advisor confirming the solvency of the person granting such Security Interest, after giving effect to any transactions related to such discharge, amendment, extension, renewal, restatement, modification, supplement, replacement or release, (2) a certificate from the Board of Directors of the relevant Person which confirms the solvency of the person granting such Security Interest after giving effect to any transactions related to such discharge, amendment, extension, renewal, restatement, modification, replacement, supplement or release, and (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Senior Notes Trustee, confirming that, after giving effect to any transactions related to such discharge, amendment, extension, renewal, restatement, modification, supplement, replacement or release, the Lien or Liens created under the Security Documents, so discharged, amended, extended, renewed, restated, modified, supplemented, replaced or released are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such

amendment, extension, renewal, restatement, modification, supplement, replacement or release. In the event that the Senior Notes Issuer complies with the requirements of this covenant, the Senior Notes Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

Additional Intercreditor Agreements

The Senior Notes Indenture will provide that, at the request of the Senior Notes Issuer, in connection with the Incurrence by the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Restricted Subsidiary of any Indebtedness that is permitted to share the Senior Notes Collateral pursuant to the definition of Permitted Collateral Lien, the Senior Notes Issuer, the Company, the relevant Senior Notes Guarantors, the relevant Security Providers, the Senior Notes Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement, or a restatement, amendment or other modification of an existing intercreditor agreement (an “*Additional Intercreditor Agreement*”), on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including with respect to the subordination, payment blockage, limitation on enforcement and release of Senior Notes Guarantees, priority and release of any Security Interest in respect of the Senior Notes Collateral; *provided, further*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Senior Notes Trustee or the Security Agent or adversely affect the personal rights, duties, liabilities or immunities of the Senior Notes Trustee and the Security Agent under the Senior Notes Indenture or the Intercreditor Agreement. For the avoidance of doubt, subject to the foregoing and the succeeding paragraph, any such Additional Intercreditor Agreement may provide for *pari passu* security interests in respect of any such Indebtedness (to the extent such Indebtedness is permitted to share the Senior Notes Collateral pursuant to the definition of Permitted Collateral Lien).

At the direction of the Senior Notes Issuer and without the consent of the Holders, the Senior Notes Trustee and the Security Agent will from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) add Senior Notes Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iii) further secure the Senior Notes (including Additional Senior Notes); (iv) make provision for equal and ratable grants of Liens on the Senior Notes Collateral to secure Additional Senior Notes or to implement any Permitted Collateral Liens; (v) subject to the preceding paragraph, to provide for additional Indebtedness (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Notes) to the extent permitted under the Senior Notes Indenture) or any other obligations that are permitted by the terms of the Senior Notes Indenture to be Incurred and secured by a Lien on the Senior Notes Collateral on a senior, *pari passu* or junior basis with the Liens securing the Senior Notes or the Senior Notes Guarantees; (vi) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement; (vii) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (viii) increase the amount of the Credit Facilities covered by any such agreement, the Incurrence of which is not prohibited by the Senior Notes Indenture; or (ix) make any other change thereto that does not adversely affect the rights of the Holders of the Senior Notes in any material respect. The Senior Notes Issuer will not otherwise direct the Senior Notes Trustee or the Security Agent to enter into any amendment to the Intercreditor Agreement or, if applicable, any Additional Intercreditor Agreement, without the consent of the Holders of a majority in aggregate principal amount of the Senior Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers*,” and the Senior Notes Issuer may only direct the Senior Notes Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Senior Notes Trustee or Security Agent or, in the opinion of the Senior Notes Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

Each Holder of a Senior Note, by accepting such Senior Note, will be deemed to have:

- (1) appointed and authorized the Senior Notes Trustee and the Security Agent from time to time to give effect to such provisions;

- (2) authorized each of the Senior Notes Trustee and the Security Agent from time to time to become a party to any additional intercreditor arrangements described above;
- (3) agreed to be bound by such provisions and the provisions of any additional intercreditor arrangements described above; and
- (4) irrevocably appointed the Senior Notes Trustee and the Security Agent to act on its behalf from time to time to enter into and comply with such provisions and the provisions of any additional intercreditor arrangements described above, in each case, without the need for the consent of the Holders.

The Senior Notes Indenture will also provide that, in relation to the Intercreditor Agreement or an Additional Intercreditor Agreement, the Senior Notes Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments.*”

Additional Senior Notes Guarantees

No Restricted Subsidiary (other than a Senior Notes Guarantor) shall Guarantee the payment of, assume or in any manner become obligated under or with respect to any Indebtedness of the Company, the Senior Notes Issuer or a Senior Notes Guarantor unless such Restricted Subsidiary is or becomes an Additional Senior Notes Guarantor on the date on which such other Guarantee or Indebtedness is Incurred (or as soon as reasonably practicable thereafter) and, if applicable, executes and delivers to the Senior Notes Trustee a supplemental indenture substantially in the form attached to the Senior Notes Indenture pursuant to which such Restricted Subsidiary will provide an Additional Senior Notes Guarantee (which Additional Senior Notes Guarantee shall be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness).

Notwithstanding the foregoing paragraphs in this covenant:

- (1) an Additional Senior Notes Guarantor's Additional Senior Notes Guarantee shall not be required to the extent it could result in (A) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, transfer pricing rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (B) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (C) any material cost, expense, liability or obligation (including with respect to any Taxes but excluding any obligation under the Senior Notes Guarantee itself) that cannot be avoided by commercially reasonable measures available to the Senior Notes Issuer and the Company other than reasonable out of pocket expenses; or (D) any inconsistency with the Agreed Security Principles (but, in the case of (A), each of the Senior Notes Issuer, the Company and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the relevant legal limitation and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit); and
- (2) for so long as it is not permissible under applicable law or regulation for a Restricted Subsidiary to become an Additional Senior Notes Guarantor, such Restricted Subsidiary need not become an Additional Senior Notes Guarantor (but, in such a case, each of the Senior Notes Issuer, the Company and the Restricted Subsidiaries will use their commercially reasonable efforts to overcome the relevant legal prohibition precluding the giving of the Guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such Guarantee at such time (and to the extent) that it thereafter becomes permissible).

The first paragraph of this covenant shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the Guarantee of Indebtedness of the Senior Secured Notes Issuer, the Senior Notes Issuer or a Senior Notes Guarantor; (2) Guarantees by any Restricted Subsidiary of Indebtedness that refinances Indebtedness which benefited from a Guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing; (3) Guarantees by any Restricted Subsidiary that existed at the time such Person became a

Restricted Subsidiary if the Guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and the terms of such Guarantee prohibit the relevant Restricted Subsidiary from becoming an Additional Senior Notes Guarantor; (4) Guarantees by any Restricted Subsidiary of Indebtedness Incurred under the Revolving Credit Facility or the Senior Secured Notes which are in effect on the Issue Date; and (5) Guarantees given by any Restricted Subsidiary to a bank or trust company incorporated in any member state of the European Union as of the date of the Senior Notes Indenture or any commercial banking institution that is a member of the U.S. Federal Reserve System (or any branch, Subsidiary or Affiliate thereof), in each case having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such Guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Company's benefit or that of any Restricted Subsidiary.

Each such Guarantee will be limited as necessary to recognize certain defenses generally available to Guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Each Senior Notes Guarantee shall be released in accordance with the provisions of the Senior Notes Indenture and the Intercreditor Agreement described under “—General—The Senior Notes Guarantees” and “Description of Other Indebtedness—Intercreditor Agreement.”

Payments for Consent

The Company, the Senior Notes Issuer and the Senior Secured Notes Issuer will not, and the Company will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Senior Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Notes Indenture or the Senior Notes unless such consideration is offered to be paid and is paid to all holders of the Senior Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer and the Company's Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Notes Indenture or the Senior Notes, to exclude holders of Senior Notes in any jurisdiction where (a) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (b) the payment of the consideration therefor would require the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any of the Company's Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Senior Notes Issuer in its sole discretion determines (acting in good faith) (x) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (y) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Events of Default

Each of the following is an “*Event of Default*” under the Senior Notes Indenture:

- (1) default in any payment of interest on any Senior Secured Note issued under the Senior Notes Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Senior Notes Indenture when due at its stated maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Senior Notes Issuer, the Senior Notes Guarantors, the Company or any of its Restricted Subsidiaries to comply for 30 days after notice by the Senior Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Notes with any of its 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 Notes which will constitute an Event of Default under clause (2) above);

- (4) failure by any Security Provider, the Senior Notes Issuer, the Company or any of its Restricted Subsidiaries to comply for 60 days after notice by the Senior Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Notes with its other agreements contained in the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and Security Documents;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or a Restricted Subsidiary whether such Indebtedness or Senior Notes Guarantee now exists, or is created after the Issue Date, which default:
 - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (“*payment default*”); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the “*cross acceleration provision*”),and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25 million or more;
- (6) certain events of bankruptcy, insolvency or court protection of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company, a Security Provider or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company), would constitute a Significant Subsidiary (the “*bankruptcy provisions*”);
- (7) failure by the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €25 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 shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Indenture) with respect to Senior Notes Collateral having a fair market value in excess of €35 million for any reason other than the satisfaction in full of all obligations under the Senior Notes Indenture or the release of any such Security Interest in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents or any such Security Interest created thereunder shall be declared invalid or unenforceable or any grantor of a Lien over the Senior Notes Collateral shall assert in writing that any such Security Interest is invalid or unenforceable and any such Default continues for 10 days (the “*security default provisions*”); and
- (9) any Senior Notes Guarantee of the Company, the Senior Secured Notes Issuer or a Significant Subsidiary (or a group of Restricted Subsidiaries that are Senior Notes Guarantors that, taken together (as of the latest audited consolidated financial statements of the Company) would constitute a Significant Subsidiary) ceases to be in full force and effect (other than in accordance with the terms of such Senior Notes Guarantee or the Senior Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Senior Notes Guarantor denies or disaffirms in writing its obligations under its Senior Notes Guarantee and any such Default continues for 10 days (the “*Guarantee provisions*”).

However, a default under clauses (3), (4), (5) or (7) of this paragraph will not constitute an Event of Default until the Senior Notes Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Notes under the Senior Notes Indenture notify the Senior Notes Issuer of the default and, with respect to clauses (3), (4), (5) and (7) the Senior Notes Issuer does not cure such default within the time specified in clauses (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), of which a Responsible Officer of the Senior Notes Trustee is informed in writing, occurs and is continuing, the Senior Notes Trustee by notice to the Senior Notes Issuer or the Holders of at least 25% in aggregate principal amount of the outstanding Senior Notes under the Senior Notes Indenture by written notice to the Senior Notes Issuer and the Senior Notes Trustee, may, and the Senior Notes Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Notes under the Senior Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Senior 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 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 Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Notes that became due solely because of the acceleration of the Senior 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 on all the Senior Notes will become and be immediately due and payable without any declaration or other act on the part of the Senior Notes Trustee or any Holders.

Holders of the Senior Notes may not enforce the Senior Notes Indenture or the Senior Notes except as provided in the Senior Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in aggregate principal amount of the outstanding Senior Notes under the Senior Notes Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Senior Notes Indenture relating to the duties of the Senior Notes Trustee, if an Event of Default, of which a Responsible Officer of the Senior Notes Trustee is informed in writing, occurs and is continuing, the Senior Notes Trustee will be under no obligation to exercise any of the rights or powers under the Senior Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Senior Notes Trustee, and the Senior Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to the Senior Notes Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal, interest or premium, if any, when due, no Holder may pursue any remedy with respect to the Senior Notes Indenture or the Senior Notes unless:

- (1) such Holder has previously given the Senior Notes Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in aggregate principal amount of the outstanding Senior Notes have requested the Senior Notes Trustee to pursue the remedy;
- (3) such Holders have offered the Senior Notes Trustee, and the Senior Notes Trustee has received, security and/or indemnity (including by way of pre-funding) satisfactory to it against any loss, liability or expense;
- (4) the Senior Notes Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Senior Notes have not given the Senior Notes Trustee a direction that, in the opinion of the Senior Notes 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 Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Notes Trustee or of exercising any trust or power conferred on the Senior Notes Trustee.

The Senior Notes Indenture will provide that, in the event an Event of Default, of which a Responsible Officer of the Senior Notes Trustee is informed in writing, has occurred and is continuing, the Senior Notes 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 Senior Notes Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Notes Indenture or that the Senior Notes Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Senior Notes Trustee in personal liability. Prior to taking any action under the Senior Notes Indenture, the Senior Notes Trustee will be entitled to receive indemnification and/or security satisfactory (including by way of pre-funding) to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Senior Notes Indenture will provide that if a Default occurs and is continuing and a Responsible Officer of the Senior Notes Trustee is informed in writing of such occurrence by the Senior Notes Issuer, the Senior Notes Trustee must give notice of the Default to the Holders within 60 days after being notified by the Senior Notes Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Note, the Senior Notes Trustee may withhold notice if and so long as a committee of trust officers of the Senior Notes Trustee in good faith determines that withholding notice is in the interests of the Holders. The Senior Notes Issuer is required to deliver to the Senior Notes 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 Senior Notes Issuer is required to deliver to the Senior Notes Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute Defaults, their status and what action the Senior Notes Issuer is taking or proposes to take in respect thereof.

The Senior Notes provide for the Senior Notes Trustee to take action on behalf of the Holders in certain circumstances, but only if Holders have offered to the Senior Notes Trustee, and the Senior Notes Trustee has received, indemnity and/or security (including by way of pre-funding) satisfactory to it in its sole discretion. It may not be possible for the Senior Notes Trustee to take certain actions in relation to the Senior Notes and, accordingly, in such circumstances the Senior Notes Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Notes Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior 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 Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes). However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of Senior Notes affected, (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes), an amendment or waiver may not, with respect to any Senior Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Senior Note;
- (3) reduce the principal of or extend the Stated Maturity of any Senior Note;
- (4) reduce the premium payable upon the redemption of any Senior Note or change the time at which any Senior Note may be redeemed, in each case as described above under “—*Optional Redemption*” or “—*Redemption for Taxation Reasons*;”
- (5) make any Senior Secured Note payable in money other than that stated in the Senior Note;
- (6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior 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 Notes;
- (7) make any change in the provision of the Senior Notes Indenture described under “*Withholding Taxes*” that adversely affects the right of any Holder of such Senior Notes in any material respect or amends the terms of such Senior 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 all or substantially all the Security Interest granted for the benefit of the Holders in the Senior Notes Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement and the Senior Notes Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Notes (except pursuant to a rescission of acceleration of the Senior Notes by the Holders of at least a majority in aggregate principal amount of such Senior Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release any Senior Notes Guarantor from any of its obligations (or modify such obligations in any manner adverse to the Holders) under any Senior Notes Guarantee or the Senior Notes Indenture, as applicable, except in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Senior Notes Issuer, the Senior Notes Trustee and the Security Agent, as applicable, may amend or supplement any Senior Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Senior Notes Issuer or any Senior Notes Guarantor under any Senior Notes Document;
- (3) add to the covenants or provide for a Senior Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Senior Notes Trustee or the Holders or does not adversely affect the rights or benefits to the Senior Notes Trustee or any of the Holders in any material respect under the Senior Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Senior Notes Issuer) for the issuance of Additional Senior Notes;
- (6) to provide for any Restricted Subsidiary to provide a Senior Notes Guarantee in accordance with the covenant described under "*Certain Covenants—Limitation on Indebtedness*," to add Senior Notes Guarantees with respect to the Senior Notes, to add security to or for the benefit of the Senior Notes, or to confirm and evidence the release, termination, discharge or retaking of any Senior Notes Guarantee or Lien (including the Senior Notes Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Notes when such release, termination, discharge or retaking or amendment is permitted under the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Notes Indenture, the Senior Notes Guarantees, the Security Documents or the Senior Notes to any provision of this "*Description of the Senior Notes*" to the extent that such provision in this Description of the Senior Notes was intended to be a verbatim recitation of a provision of the Senior Notes Indenture, a Senior Notes Guarantee, the Security Documents or the Senior Notes;
- (8) to evidence and provide for the acceptance and appointment under the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Senior Notes Trustee or Security Agent to any Senior Notes Document; or
- (9) as provided in "*Certain Covenants—Additional Intercreditor Agreements*" and "*Certain Covenants—Impairment of Security Interest*."

In formulating its decision on such matters, the Senior Notes Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel, which shall be conclusive.

The consent of the Holders is not necessary under the Senior Notes Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Notes Indenture by any Holder of Senior Notes given in connection with a tender of such Holder's Senior Notes will not be rendered invalid by such tender.

If and for so long as the Senior Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of such exchange so require, the Senior Notes 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 principal amount of the Senior Notes have concurred in any direction, waiver or consent, the Senior Notes owned by the Senior Notes Issuer, the Senior Secured Notes Issuer, 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 Senior Notes Issuer at any time may terminate all the relevant Security Providers', the Company's, the Senior Secured Notes Issuer's, its and each Senior Notes Guarantor's obligations under the Senior Notes and the Senior Notes Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Senior Notes Trustee and the Security Agent and the obligations of the Senior Notes Issuer in connection therewith and obligations concerning issuing temporary Senior Notes, registration of Senior Notes, mutilated, destroyed, lost or stolen Senior Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Senior Notes Issuer exercises its legal defeasance option, the Security Documents will terminate (other than with respect to the defeasance trust).

The Senior Notes Issuer at any time may terminate the relevant Security Providers', the Company's, the Senior Secured Notes Issuer's, its and each Restricted Subsidiary's 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 Senior Notes Issuer, the Senior Secured Notes 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 Senior Notes Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Senior Notes Issuer exercises its legal defeasance option, payment of the Senior Notes may not be accelerated because of an Event of Default with respect to such Senior Notes. If the Senior Notes Issuer exercises its covenant defeasance option with respect to the Senior Notes, payment of the Senior 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—The Company, the Senior Notes Issuer and the Senior Secured Notes Issuer*"), (4), (5), (6), (7), (8) or (9) under "*Events of Default*" above.

In order to exercise either defeasance option, the Senior Notes Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Senior Notes Trustee cash in euro or euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, and interest on the Senior Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Senior Notes Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders and beneficial owners of the Senior Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in

the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law);

- (2) an Officer's Certificate stating that the deposit was not made by the Senior Notes Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Senior Notes 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) all other documents or other information that the Senior Notes Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Senior Notes Indenture, and the rights of the Senior Notes Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Notes, as expressly provided for in the Senior Notes Indenture) as to all outstanding Senior Notes when (1) either (a) all the Senior Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Notes, and certain Senior Notes for which provision for payment was previously made and thereafter the funds have been released to the Senior Notes Issuer) have been delivered to the Senior Notes Trustee for cancellation; or (b) all Senior Notes not previously delivered to the Senior Notes 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 Senior Notes Trustee for the giving of notice of redemption by the Senior Notes Trustee in the name, and at the expense, of the Senior Notes Issuer; (2) the Senior Notes Issuer has deposited or caused to be deposited with the Senior Notes Trustee, cash in euro 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 Notes not previously delivered to the Senior Notes Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Senior Notes Issuer has paid or caused to be paid all other sums payable (i) under the Senior Notes Indenture and (ii) to the Senior Notes Trustee under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents; (4) the Senior Notes Issuer has delivered to the Senior Notes Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Notes Indenture relating to the satisfaction and discharge of the Senior Notes Indenture have been complied with; and (5) the Senior Notes Issuer has delivered irrevocable instructions under the Senior Notes Indenture to apply the deposited money toward the payment of the Senior Notes at maturity or on the redemption date, as the case may be; *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, manager, officer, employee, incorporator or shareholder of the Security Providers or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Security Providers, the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Restricted Subsidiary under the Senior Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior 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.

Listing and General Information

Application has been made to list the Senior Notes on the Official List of the Luxembourg Stock Exchange and to admit the Senior Notes to trading on the Euro MTF Market. The Senior Notes Issuer may also choose to list on another recognized stock exchange. There can be no assurance that the application to list the Senior Notes on the Euro MTF Market of the Luxembourg Stock Exchange and to admit the Senior Notes to trading on the Euro MTF Market will be approved, and settlement of the Senior Notes is not conditioned on obtaining this listing. If and so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, the Senior Notes Issuer will maintain a listing, paying and transfer agent in Luxembourg with respect to the Senior Notes. See “—*Certain Covenants—Maintenance of Listing.*”

If and for so long as the Senior Notes are listed on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Company’s annual audited consolidated and unconsolidated financial statements, the Company’s unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the registered office of the Company.

Concerning the Senior Notes Trustee and Certain Agents

Citibank, N.A., London Branch is to be appointed as Senior Notes Trustee under the Senior Notes Indenture. The Senior Notes Indenture will provide that, except during the continuance of an Event of Default, of which a Responsible Officer of the Senior Notes Trustee has been informed in writing, the Senior Notes Trustee will perform only such duties as are set forth specifically in the Senior Notes Indenture. During the existence of an Event of Default, of which a Responsible Officer of the Senior Notes Trustee has been informed in writing, the Senior Notes Trustee will exercise such of the rights and powers vested in it under the Senior Notes Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Senior Notes Trustee to take or refrain from taking any action enumerated in the Senior Notes Indenture will not be construed as an obligation or duty. The Holders of a majority in aggregate principal amount of the then outstanding Senior Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Senior Notes Trustee on behalf of the Holders, subject to certain exceptions.

The Senior Notes Issuer shall deliver written notice to the Senior Notes Trustee as soon as reasonably practicable, but not later than 30 days of becoming aware of the occurrence of a Default or Event of Default. The Senior Notes Indenture will impose certain limitations on the rights of the Senior Notes Trustee, should it become a creditor of the Senior Notes Issuer or the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Senior Notes Trustee will be permitted to engage in other transactions with the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and its Affiliates and Subsidiaries.

Any removal or resignation of the Senior Notes Trustee shall not become effective until the acceptance of appointment by the successor trustee. The Senior Notes Indenture will contain provisions for the indemnification and/or security (including by way of pre-funding) of the Senior Notes Trustee by the Senior Notes Issuer and the Senior Notes Guarantors for any loss, liability, taxes or expenses Incurred without gross negligence, wilful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the Senior Notes Indenture.

Notices

All notices to Holders will be validly given if mailed to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. In addition, if and for so long as any of the Senior Notes are listed on the Luxembourg Stock Exchange and the rules of such Stock Exchange shall so require, notices with respect to the Senior 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 (www.bourse.lu). In addition, for so long as any Senior Notes are represented by Global Notes, all notices to Holders 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. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have given, on such date, as the Senior Notes Trustee may approve.

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 Senior Notes Issuer or any Senior Notes Guarantor for the payment of principal, or premium, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Senior Notes Issuer or any Senior Notes Guarantor for the payment of interest on the Senior Notes will be prescribed five years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

Euro is the sole currency of account and payment for all sums payable by the Senior Notes Issuer and the Senior Notes Guarantors under or in connection with the Senior Notes and the Senior Notes Guarantees, as the case may be, 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 Senior Notes Issuer, any Senior Notes Guarantor or otherwise by any Holder or by the Senior Notes Trustee, in respect of any sum expressed to be due to it from the Senior Notes Issuer or a Senior Notes Guarantor will only constitute a discharge to the Senior Notes Issuer or such Senior Notes 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 Senior Notes Trustee under any Senior Note, the Senior Notes Issuer and the Senior Notes Guarantors will indemnify them against any loss sustained by such recipient or the Senior Notes Trustee as a result. In any event, the Senior Notes Issuer and the Senior Notes Guarantors will indemnify the recipient or the Senior Notes 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 Note or the Senior Notes Trustee to certify in a manner reasonably satisfactory to the Senior Notes Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Senior Notes Issuer's and the Senior Notes 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 Note or the Senior Notes 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 Note, any Senior Notes Guarantee or to the Senior Notes 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 substantially all the assets of the Senior Notes Issuer and the Senior Notes Guarantors are located outside the United States, any judgment obtained in the United States against the Senior Notes Issuer or any Senior Notes Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Notes or the Senior Notes 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 Senior Notes Indenture, the Senior Notes and the Senior Notes Guarantees, the Senior Notes Issuer and each Senior

Notes Guarantor will, in the Senior Notes Indenture, appoint an agent for service of process and irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Senior Notes Indenture, the Senior Notes and the Senior Notes 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 Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales.

Certain Definitions

Set forth below are certain defined terms used in the Senior Notes Indenture. Reference is made to the Senior Notes Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“Acquired 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 a 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 and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agreed Security Principles” means the Agreed Security Principles attached to the Revolving Credit Facility Agreement, as interpreted and applied in good faith by the Company.

“Applicable Premium” means, with respect to any Senior Note, the greater of:

- (A) 1% of the principal amount of such Senior Note; and
- (B) the excess (to the extent positive) of:
 - (i) the present value at such redemption date of (i) the redemption price of such Senior Note at, December 15, 2016 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under *“Optional Redemption”* (excluding accrued but unpaid interest to the redemption date), plus (ii) all required interest payments due on such Senior Note to and including, December 15, 2016 (excluding accrued but unpaid interest to the redemption date),

computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of such Senior Note,

as calculated by the Senior Notes Issuer or on behalf of the Senior Notes Issuer by such Person as the Senior Notes Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Senior Notes Trustee or Paying Agent, nor shall the Senior Notes Trustee or Paying Agent have any liability related thereto.

“*Asset Disposition*” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “*disposition*”) by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock 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;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation*” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the 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 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;
- (8) the granting of Liens not prohibited by the covenant described above under “—*Certain Covenants—Limitation on Liens*;”
- (9) 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;
- (10) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (11) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (12) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (13) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (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;
- (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 Senior Notes Indenture;
- (18) any sale or disposition of stores not to exceed, in the aggregate, €10 million in each fiscal year;
- (19) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Company shall certify that in its opinion, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole);
- (20) a disposition that is made in connection with the establishment of a joint venture or sales, transfers and other dispositions of Investments in joint ventures to the extent required by or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture agreements and similar binding agreements; provided that any cash or Cash Equivalents received in such sale, transfer or other disposition is applied in accordance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;”
- (21) a disposition that is made in connection with the factoring or discounting of vendor loans to franchisees in an aggregate principal amount not to exceed €10 million; and
- (22) 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 an Officer or the Board of Directors of the Company) of less than the greater of €10 million and 0.5% of Total Assets.

“Associate” means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture engaged in a Similar Business entered into by the Company or any Restricted Subsidiary of the Company.

“Board of Directors” means (1) with respect to the Senior Notes Issuer or any corporation, the board of directors or managers or the supervisory board, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“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 Senior Notes Issuer in good faith)) most nearly equal to the period from the redemption date to December 15, 2016; *provided, however*, that if the period from the redemption date to December 15, 2016 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 December 15, 2016 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 Amsterdam, The Netherlands or London, United Kingdom are authorized or required by law to close.

“*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, and the amount of Indebtedness represented by such obligation will be the amount of such obligation that is required to be capitalized at the time any determination is to be made in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, in each case, 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), 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 Revolving Credit Facility 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 a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia 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 a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (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.

“*Change of Control*” means:

- (1) the Senior Notes Issuer becomes aware of (by way of a report or any other filing pursuant to any regulatory filing, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of

more than 50% of the total voting power of the Voting Stock of the Company; *provided* that for the purposes of this clause any Voting Stock of which any Permitted Holder is the “beneficial owner” (as so defined) (other than deemed beneficial ownership derived from membership in a group) shall not be included in any Voting Stock of which any such person or group is the “beneficial owner” (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has the sole voting power with respect to that Voting Stock; or

- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;
- (3) the Parent fails to own directly or indirectly 100% of the issued and outstanding Voting Stock of the Senior Notes Issuer, excluding (i) treasury shares and (ii) directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Parent or a Wholly Owned Subsidiary of the Parent.

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 thereof.

“Code” means the United States Internal Revenue Code of 1986, as amended, as of the Issue Date.

“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.

“Company” means HEMA B.V. and any successor thereto.

“Company Proceeds Loan” means any loan agreement entered into between a Parent Entity and the Company pursuant to which the Parent Entity lends to the Company the net proceeds of any Indebtedness Incurred by the Parent Entity; *provided* that (i) the principal amount of, and interest rate on, such Company Proceeds Loan will not be greater than the principal amount of, and interest rate on, the Indebtedness Incurred by the Parent Entity that funded such Company Proceeds Loan (except to the extent a reasonable margin is required by law), as such Indebtedness is amended, replaced or otherwise refinanced from time to time and (ii) such Company Proceeds Loan shall be subordinated to the Senior Notes in right of payment to the Senior Notes in accordance with the Intercreditor Agreement and any Additional Intercreditor Agreement.

“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) Consolidated Interest Expense and Receivables Fees;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization and impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Senior Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the Refinancing (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Company;
- (6) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent not prohibited by the covenant described under “—Certain Covenants—Limitation on Affiliate Transactions;”
- (7) any income or charge attributable to a post-employment benefits scheme other than the current service costs attributable to such scheme;

- (8) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (9) (a) any one-off charge in respect of the establishment of, or opening of, new distribution centers, stores or depots or in respect of brand or banner launch or re-launch costs and (b) any net loss realized upon the sale, abandonment or other disposition of any store, less any net gain realized upon any such sale, abandonment or other disposition; and
- (10) other non-cash charges, write downs or items reducing Consolidated Net Income or other items classified by the Company as non-cash exceptional items less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (15) of the definition of Consolidated Net Income).

“*Consolidated Financial Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the sum of:

- (1) consolidated net interest income/expense of the Group related to Indebtedness (including (a) amortization of debt discount, (b) all recurring commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) the interest component of Capitalized Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any pension liability interest cost, debt issuance cost and premium, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));
- (2) dividends or other distributions in respect of all Disqualified Stock of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a subsidiary of the Company; and
- (3) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (16) of “—*Certain Covenants—Limitation on Restricted Payments—Permitted Payments*.”

“*Consolidated Income Taxes*” means taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding Taxes, corporation Taxes, trade Taxes and franchise Taxes) of any member of the Group whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

“*Consolidated Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense and similar charges of any member of the Group, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations and the interest component of deferred payment obligations;
- (2) amortization of debt discount, amortization of debt issuance costs, fees, premium and expenses and the expensing of any financing fees;
- (3) non-cash interest expense;
- (4) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses, costs associated with Hedging Obligations (including termination payments) and foreign currency losses and any Receivables Fees);
- (5) fees, charges, commissions or discounts associated with financings, payments, guarantees, letters of credit and Hedging Obligations or other derivative instruments;
- (6) any interest charges reflected in respect of accounting for post—employment benefit schemes;
- (7) dividends or other distributions in respect of all Disqualified Stock of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or a subsidiary of the Company;
- (8) the consolidated interest expense that was capitalized during such period; and

- (9) any interest on Indebtedness of another Person that is Guaranteed by a member of the Group or secured by a Lien on assets of a member of the Group or in respect of any Parent Debt to the extent paid by a member of the Group; *provided* that, for avoidance of doubt, such interest shall include, without double counting, all amounts paid pursuant to clause (16) of “—*Certain Covenants—Limitation on Restricted Payments—Permitted Payments.*”

“*Consolidated Leverage*” means the sum of the aggregate outstanding Indebtedness of the Group (excluding Hedging Obligations).

“*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; immediately preceding the date of determination; *provided, however*, that the *pro forma* calculation of the Consolidated Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*,” *provided, further, 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, a member of the Group 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 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, a member of the Group (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, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period;
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into a member of the Group 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 a member of the Group since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period; and
- (4) solely for the purposes of making the determination pursuant to “*Specified Change of Control Event*,” Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect to such event constituting a “*Specified Change of Control Event*,” including anticipated synergies and expenses and cost savings as if such event had 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 accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies as though the full effect of the synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by a member of the Group as though such cost savings programs had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost

reductions and synergies and cost savings are reasonably anticipated to be realized within 18 months after the consummation of the cost savings program, any operational change or the Purchase or Sale which is expected to result in such anticipated expense and cost reductions and 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; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period. For the purpose of calculating *pro forma* effect pursuant to clause (2) above, the definition of Fixed Charge Coverage Ratio and for the first paragraph and clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” as well as clause (3) of the first paragraph of the covenant described under “—*Certain Covenants—Merger and Consolidation—The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer*,” *pro forma* effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Group 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 the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or 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 a member of the Group 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 (other than a Senior Notes Guarantor) 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 Company by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Notes or the Senior Notes Indenture, and (c) 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 or non-cash distributions to the extent converted into cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to a member of the Group 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, abandonment or other disposition of any asset or disposed operations of any member of the Group (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, charge or expense or any charges, expenses or reserves in respect of any restructuring, redundancy or severance;
- (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;

- (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) 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;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of any member of the Group owing to a member of the Group;
- (11) any effects of purchase accounting including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to a member of the Group), as a result of any consummated acquisition (either prior to or after the Issue Date) or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
- (12) any goodwill or other intangible asset impairment, charge or write-off;
- (13) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding;
- (14) consolidated depreciation and amortization expense to the extent in excess of net capital expenditures for such period, and Consolidated Income Taxes to the extent in excess of cash payments made in respect of such Consolidated Income Taxes; and
- (15) to the extent covered by insurance and actually reimbursed, or, so long as the Company has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer and only to the extent that such amount is (a) not denied by the applicable carrier in writing within 180 days and (b) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses with respect to business interruption.

“*Consolidated Net Leverage*” means the sum of the aggregate outstanding Indebtedness of the Group (excluding Hedging Obligations), *less* cash and Cash Equivalents, as of the relevant date of calculation on a consolidated basis on the basis of IFRS; *provided* that cash shall not be deducted that is the proceeds of Indebtedness in respect of which the calculation of Consolidated Net Leverage is being made.

“*Consolidated Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the 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; immediately preceding the date of determination; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness Incurred on the date of determination pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*,” *provided, further, 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, a member of the Group 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 Net 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 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, a member of the Group (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, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period;
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into a member of the Group 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 a member of the Group since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period; and
- (4) solely for the purposes of making the determination pursuant to “*Specified Change of Control Event*,” Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect to such event constituting a “*Specified Change of Control Event*,” including anticipated synergies and expenses and cost savings as if such event had 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 accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies as though the full effect of the synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated by a member of the Group as though such cost savings programs had been fully implemented on the first day of the relevant period (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared); *provided* that such anticipated expense and cost reductions and synergies and cost savings are reasonably anticipated to be realized within 18 months after the consummation of the cost savings program, any operational change or the Purchase or Sale which is expected to result in such anticipated expense and cost reductions and 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; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period. For the purpose of calculating *pro forma* effect pursuant to clause (2) above, the definition of Fixed Charge Coverage Ratio and for the first paragraph and clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*,” as well as clause (3) of the first paragraph of the covenant described under “—*Certain Covenants—Merger and Consolidation—The Company, the Senior Secured Notes Issuer and the Senior Notes Issuer*,” *pro forma* effect may also be given to anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

“*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 Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility 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 which otherwise qualifies as a “*Credit Facility*” (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.

“*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 an Officer or the Board of Directors of the Senior Notes Issuer) of non-cash consideration received by the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Designated Preference Shares*” means, with respect to the Company or any Parent Entity, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer 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 first 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 Senior Notes Issuer, the Senior Secured Notes Issuer, 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 Notes or (b) the date on which there are no Senior 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 Senior Notes 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 a public or private sale of (x) Capital Stock of the Company or (y) Capital Stock or other securities of a Parent Entity, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity of the Company or any of its Restricted Subsidiaries, in each case other than:

- (1) Disqualified Stock or Designated Preference Shares;
- (2) offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions;
- (3) any such sale that constitutes an Excluded Contribution or a Parent Debt Contribution; and
- (4) any such sale the proceeds of which are utilized pursuant to clause (11) of the second paragraph of the covenant under “—*Certain Covenants—Limitation on Indebtedness.*”

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Senior Notes Issuer or the Senior Notes 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 Senior Notes Issuer) on the date of such determination.

“*Euroclear*” means Euroclear Bank SA/NV or any successor securities clearing agency thereof.

“*European Government Obligations*” means direct obligations of, or obligations Guaranteed by, a member state of the Pre-Expansion European Union, and the payment for which such member state of the Pre-Expansion European Union pledges its full faith and credit, in each case which are payable in euro and 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 or property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company after the Issue Date or from the issuance or sale (other than to the Senior Notes Issuer, the Senior Secured Notes Issuer 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 (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Senior Notes Issuer.

“*fair market value*” wherever such term is used in this “*Description of the Senior Notes*” or the Senior Notes Indenture (except in relation to an enforcement action or certain distressed disposals pursuant to the Intercreditor Agreement, and any Additional Intercreditor Agreement and except as otherwise specifically provided in this “*Description of the Senior Notes*” or the Senior Notes Indenture), means, with respect to any asset or property, the sale value that would be obtained in an arm’s length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by an Officer or the Board of Directors of the Senior Notes Issuer or a resolution of the Board of Directors of the Senior Notes Issuer, respectively.

“Fixed Charge Coverage Ratio” means, for any period, the ratio of:

- (a) Consolidated EBITDA to
- (b) Consolidated Financial Interest Expense;

provided that in calculating the Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Company (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or are reasonably expected to occur within the next eighteen months following the date of such calculation, including, without limitation, as a result of, or that would result from any actions taken by the Company or any of its Restricted Subsidiaries including, without limitation, in connection with any cost reduction or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, in the good faith judgment of the chief executive officer, chief operating officer, chief financial officer or any person performing a similarly senior accounting role of the Company (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared)); *provided* that, without limiting the application of the previous proviso, for the purposes of calculating Consolidated EBITDA or Consolidated Financial Interest Expense 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 Fixed Charge Coverage Ratio is such a Sale, (a) 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 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; and (b) the Consolidated Financial Interest Expense for such period shall be reduced by an amount equal to the Consolidated Financial Interest Expense directly attributable to any Indebtedness of the Group repaid, repurchased, defeased or otherwise discharged with respect to the Group in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Financial Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Group is no longer liable for such Indebtedness after such Sale);
- (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, including anticipated synergies and expenses and cost reductions calculated as if such Purchase occurred on the first day of such period, and as though the full effect of synergies and cost savings were realized on the first day of the relevant 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, including, with respect to any Purchase by such Person, anticipated synergies and expenses and cost reductions as if such Sale or Purchase occurred on the first day of such period;

provided, further, that the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Indebtedness Incurred on the dates of determination pursuant to the provisions described in the second paragraph under “—Certain Covenants—Limitation on Indebtedness” or (ii) the discharge on the date of determination of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—Certain Covenants—Limitation on Indebtedness.”

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including in respect of anticipated expense and cost reductions and synergies, and as though the full effect of synergies and cost savings were realized on the first day of the relevant period) 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; *provided*, that, in making such computation, the amount of Indebtedness under any revolving credit facility or overdraft facility shall be computed based upon the average daily balance of such Indebtedness during such period.

“*Group*” refers to the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and the Company’s Restricted Subsidiaries.

“*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.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*Holder*” means each Person in whose name the Senior Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

“*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 from time to time; *provided, however*, that at any date after the Issue Date the Company may make an irrevocable election to establish that “*IFRS*” shall mean IFRS in effect on a date that is on or prior to the date of such election for the purpose of the Senior Notes Indenture (except for the covenant described under “*Reports*”). Except as otherwise set forth in the Senior Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Notes Indenture shall be computed in accordance with IFRS.

“*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*,” “*Incurring*” and “*Incurrence*” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “*i*” 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 and such obligations are satisfied within 60 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 an Officer or the Board of Directors of 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 (other than by endorsement of negotiable instruments for collection in the ordinary course of business); *provided* that for the purposes of the calculation of the Consolidated Leverage Ratio if the net proceeds of any Parent Debt have been on-lent to the Company as a Company Proceeds Loan and such Parent Debt is Guaranteed by a member of the Group, only the principal of obligations under the Company Proceeds Loan in connection with such Parent Debt shall count and the corresponding Guarantee shall be deemed reduced by the amount of such Indebtedness; 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).

Notwithstanding the foregoing, the term “*Indebtedness*” shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Senior Notes Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any pension obligations, (v) Contingent Obligations in the ordinary course of business, (vi) obligations under or in respect of Qualified Receivables Financing, (vii) obligations under any license, permit or other approval (or Senior Notes Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (viii) non-interest bearing installment obligations and accrued liabilities Incurred in the ordinary course of business that are not more than 120 days past due, (ix) indebtedness in respect of the Incurrence by the Company or any Restricted Subsidiary of indebtedness in respect of standby letters of credit, performance bonds or surety bonds provided by the Company or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond, or (x) indebtedness Incurred by the Company or one of the Restricted Subsidiaries in connection with a transaction where (A) such indebtedness is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody’s and (B) a substantially concurrent Investment is made by the Company or a Restricted Subsidiary in the form of cash deposited with the lender of such indebtedness, or a Subsidiary or Affiliate thereof, in amount equal to such indebtedness. For the avoidance of doubt and notwithstanding the above, the term “*Indebtedness*” excludes any accrued expenses and trade payables.

Notwithstanding the foregoing, the term “*Indebtedness*” shall include Parent Debt (i) on which interest payments are being made pursuant to clause (16)(ii) of the third paragraph of the covenant described under “*Limitation on Restricted Payments*” and (ii) not Guaranteed by the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any of its Restricted Subsidiaries, which shall be deemed to have been incurred under the first paragraph or second paragraph of the covenant described under “*—Certain Covenants—Limitation on Indebtedness.*”

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 Senior Notes Indenture, and (other than with respect to letters of credit or Senior Notes Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) 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
- (2) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension 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 any trust, fund, company or partnership owned, managed or advised by Lion Capital LLP or any of its Affiliates or direct or indirect Subsidiaries or any limited partner of any such trust, fund, company or partnership.

"Initial Public Offering" means an Equity Offering of common stock or other common equity interests of the Company or any Parent Entity or any successor of the Company or any Parent Entity (the *"IPO Entity"*) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"Intercreditor Agreement" means the Intercreditor Agreement dated on the Issue Date by and among, *inter alios*, the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer, the Senior Notes Trustee, the Security Agent, and certain other parties thereto, as amended from time to time.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any 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 (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under *"—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 determined in good faith by an Officer or the Board of Directors of the Company) of such Subsidiary at the time that such Subsidiary is so re-designated 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, (as determined in good faith by an Officer or the Board of Directors of the Company) of such Subsidiary.

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 Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully Guaranteed or insured by a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, 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 Senior Notes Issuer, the Senior Secured Notes Issuer, 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 when the Senior Notes receive 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.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means June 17, 2014.

“*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).

“*Luxembourg*” means the Grand Duchy of Luxembourg.

“*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 Entity, the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person’s purchase of Capital Stock or Subordinated

Shareholder Funding (or similar obligations) of the Company or its Subsidiaries or any Parent Entity with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Company;

- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €4 million in the aggregate outstanding at any time.

“Management Investors” means the current or former officers, directors, employees and other members of the management of or consultants to any Parent Entity, 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 Entity.

“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) of the Exchange Act.

“Net Available Cash” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness (i) which is secured by any assets subject to such Asset Disposition, or (ii) which must by its terms, or in order to obtain necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent Entity, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

“Net Cash Proceeds,” with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“Offering Memorandum” means the final offering memorandum in relation to the Senior Notes and the Senior Secured Notes.

“Officer” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a

single entity, of such entity, or (2) any other individual designated as an “*Officer*” for the purposes of the Senior Notes 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 in form and substance reasonably satisfactory to the Senior Notes Trustee from legal counsel reasonably satisfactory to the Senior Notes Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

“*Parent*” means Dutch Lion B.V. and any successor thereto.

“*Parent Debt*” means any Indebtedness Incurred by a Parent Entity, the net proceeds of which are contributed to the Group and the interest of which is being serviced pursuant to clause (16) under the caption “—*Certain Covenants—Limitation on Restricted Payments—Permitted Payments.*”

“*Parent Debt Contribution*” means the issuance by the Company of any Capital Stock or contribution to the equity of the Company pursuant to which the net proceeds of Parent Debt is contributed to the Company.

“*Parent Entity*” of the Company means any other Person (other than a natural person) that (i) legally and beneficially owns more than 50% of the Voting Stock of the Company, either directly or through one or more Subsidiaries, (ii) is a Subsidiary of any Person referred to in the preceding clause or (iii) any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent Entity; *provided, however*, that in no event shall the Senior Notes Issuer, the Senior Secured Notes Issuer or any Subsidiary of the Company constitute its Parent Entity.

“*Parent Expenses*” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent Entity in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, in each case, to the extent relating to Indebtedness of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or a Restricted Subsidiary, the Senior Notes Indenture or any other agreement or instrument relating to Indebtedness of the Senior Notes Issuer, the Senior Secured Notes Issuer, 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 Entity owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and its Subsidiaries;
- (3) obligations of any Parent Entity in respect of director and officer insurance (including premiums therefor) to the extent relating to the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and its Subsidiaries;
- (4) fees and expenses payable by any Parent Entity in connection with the Refinancing;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent Entity related to the ownership or operation of the business of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Refinancing or the ownership, directly or indirectly, of the Senior Notes Issuer, the Senior Secured Notes Issuer or the Company by any Parent Entity;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and its Subsidiaries or any Parent Entity or any other Person which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Company, the Senior Notes Issuer or the Senior Secured Notes Issuer, in an aggregate amount not to exceed €4 million in any fiscal year;
- (7) expenses Incurred by any Parent Entity 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 Entity shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and
- (8) fees, taxes, expenses and costs required to maintain the corporate existence of the Senior Secured Notes Issuer or any other Parent Entity.

“*Pari Passu Indebtedness*” means (1) with respect to the Senior Notes Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Senior Notes and (2) with respect to any Senior Notes Guarantor, any Indebtedness that ranks *pari passu* in right of payment to such Senior Notes Guarantor’s Senior Notes Guarantee.

“*Paying Agent*” means any Person authorized by the Senior Notes Issuer to pay the principal of (and premium, if any) or interest on any Senior Secured Note on behalf of the Senior Notes Issuer.

“*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:

- (1) Liens on the Senior Notes Collateral to secure the Senior Notes on the Issue Date and the Senior Notes Guarantees of such Senior Notes and any Refinancing Indebtedness in respect thereof (and any Refinancing Indebtedness in respect of Refinancing Indebtedness); *provided* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (2) Liens on the Senior Notes Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (10), (11), (12), (13), (14), (15), (17), (19), (20), (21), (22), (23) and (29) of the definition of “*Permitted Liens*;”
- (3) Liens on the Senior Notes Collateral to secure any Indebtedness (including any Additional Senior Notes) that are permitted to be Incurred under (a) the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (b) clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (c) any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness);
- (4) Liens on the Senior Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clauses (1), (2) (in the case of clause (2), to the extent such Senior Notes Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in clauses (3) and (4) of the definition of Permitted Collateral Liens), (4)(a), (b) and (c) (to the extent the Indebtedness refinanced was secured by Liens on the Senior Notes Collateral), (6), (11) and (15) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and any Refinancing Indebtedness in respect of any of the foregoing (and any Refinancing Indebtedness in respect of Refinancing Indebtedness);
- (5) Liens on the Senior Notes Collateral to secure any Indebtedness that is permitted to be Incurred under clause (7) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*;” and
- (6) any Lien securing Indebtedness on a basis junior to the Senior Notes;

provided, however, in the case of clauses (3), (4) and (5), that any such Indebtedness is subject to the Intercreditor Agreement or to an Additional Intercreditor Agreement.

“*Permitted Holders*” means, collectively, (1) the Initial Investors and their Affiliates and Related Persons, (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 Entity or the Company, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes (i) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Notes Indenture or

(ii) a Change of Control which is also a Specified Change of Control Event will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted 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), the Senior Notes Issuer, the Senior Secured Notes Issuer 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 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;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*;”
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date and disclosed in the Offering Memorandum as having occurred or as may be about to occur;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*;”
- (11) 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*;”
- (12) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock) or Subordinated Shareholder Funding or Capital Stock of any Parent Entity as consideration;
- (13) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);
- (14) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) loans, Guarantees, keepwells and similar arrangements in the ordinary course of business, including Guarantees of the obligations of, and loans to, franchisees;
- (15) advances, loans or other extensions of credit to any joint venture or franchisee (but not, for the avoidance of doubt, any purchase or acquisition of Capital Stock of a joint venture or franchisee or any other form of contribution to the equity of such joint venture to franchisee) in the ordinary course of business;

- (16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property or Investments in franchisees or franchised stores in respect of any such purchases and acquisitions, in any case, in the ordinary course of business and otherwise in accordance with the Senior Notes Indenture;
- (17) (i) Investments in franchisees or franchisees' stores and (ii) Investments in joint ventures of the Company or any of its Restricted Subsidiaries and Investments in Unrestricted Subsidiaries that do not exceed, collectively for (i) and (ii), an aggregate principal amount of €25 million outstanding at any time; *provided, however*, that if any Investment pursuant to this clause (17) is made in any Person that is not a Restricted Subsidiary of the Company at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Company after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (17) for so long as such Person continues to be a Restricted Subsidiary;
- (18) Investments in the Senior Notes and any Additional Senior Notes and Investments pursuant to the Senior Notes Proceeds Loan;
- (19) loans or other Investments required to be entered into in connection with a Qualified Receivables Financing; and
- (20) Investments, taken together with all other Investments made pursuant to this clause (20) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €40 million and 2.5% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to 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.

"*Permitted Liens*" means, with respect to any Person:

- (1) (a) Liens on assets or property of a Restricted Subsidiary that is not a Senior Notes Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Senior Notes Guarantor and (b) Liens on assets or property of the Company, the Senior Secured Notes Issuer, the Senior Notes Issuer or a Restricted Subsidiary securing any Senior Indebtedness or a Guarantee of any such Indebtedness by the Senior Notes Issuer;
- (2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion Guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure 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;
- (3) Liens imposed by law or agreement of similar effect, 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;
- (4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, Guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business and Liens to secure cash management services or to implement cash pooling arrangements or to cash collateralize letters of credit or similar instruments in the ordinary course of business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines,

telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Group 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 Group;

- (7) Liens on assets or property of the Company or any Restricted Subsidiary securing Hedging Obligations permitted under the Senior Notes Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired and Liens imposed by any legal or administrative authority in connection with pre-judgment proceedings;
- (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 depository 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) with respect to the Company and the Restricted Subsidiaries, Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;
- (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 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 Senior Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (16) (i) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease and (ii) any Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Purchase Money Obligations or Capitalized Lease Obligations; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Senior Notes 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;
- (17) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the 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 Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (21) 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;
- (22) 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;
- (23) 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;
- (24) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;
- (25) Permitted Collateral Liens;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures or in favor of other joint venture partners;
- (28) Liens arising as a result of a disposition, whether or not deemed to be an Asset Disposition;
- (29) Liens securing Indebtedness Incurred pursuant to local lines of credit and overdraft facilities;
- (30) (a) Liens created for the benefit of or to secure the Senior Notes and the Senior Notes Guarantees, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Revolving Credit Facility or the Senior Secured Notes Indenture and (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Senior Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement; and
- (31) Liens; provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (31) does not exceed the greater of €30 million and 2.0% of Total Assets.

“*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.

“*Pre-Expansion European Union*” means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

“*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, winding up or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Public Market*” means any time after:

- (1) an Equity Offering has been consummated; and

- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“Public Offering” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A 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.

“Qualified Receivables Financing” means any Receivables Financing that meets the following conditions: (1) an Officer or the Board of Directors of the Company shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Company or the relevant Subsidiary of the Company, (2) all sales of accounts receivable and related assets of the Company or the relevant Subsidiary of the Company are made at fair market value (as determined in good faith by an Officer or the Board of Directors of the Company), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Company) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Company or any of its Restricted Subsidiaries to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Senior Notes shall not be deemed a Qualified Receivables Financing.

“Receivables Assets” means any assets that are or will be the subject of a Qualified Receivables Financing.

“Receivables Fees” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

“Receivables Financing” means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to any other Person, or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Company or any such Subsidiary in connection with such accounts receivable.

“Receivables Repurchase Obligation” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“Receivables Subsidiary” means a Wholly Owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Company in which the Company or any Subsidiary of the Company makes an Investment and to which the Company or any Subsidiary of the Company transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is Guaranteed by the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary of the Company (excluding Guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to

terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary of the Company, (iii) is recourse to or obligates the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any other Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

- (2) with which none of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer nor any Restricted Subsidiary of the Company has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company; and
- (3) to which none of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer nor any Restricted Subsidiary of the Company has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Senior Notes Trustee by filing with the Senior Notes Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"refinance" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *"refinances," "refinanced"* and *"refinancing"* as used for any purpose in the Senior Notes Indenture shall have a correlative meaning.

"Refinancing" means the offering of the Senior Secured Notes and the Senior Notes, the entering into of the Senior Secured Notes Proceeds Loan, the Senior Notes Proceeds Loan and the Revolving Credit Facility Agreement, the related repayment of existing debt facilities, the refinancing, amendment or extension of the Parent's existing indebtedness, unwinding or amending and extending of existing hedging arrangements, the payment of related fees and expenses, including the payment of any fees and expenses in connection with the issuance and sale of the Senior PIK Notes, and all other related transactions and undertakings.

"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 Senior Notes Indenture or Incurred in compliance with the Senior Notes Indenture (including Indebtedness of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any Restricted Subsidiary that refinances Indebtedness of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however, that:*

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or the Senior Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

- (3) if the Indebtedness being refinanced is expressly subordinated to the Senior Notes, such Refinancing Indebtedness is subordinated to the Senior Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced;

provided, however, that Refinancing Indebtedness shall not include (x) Indebtedness of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary and (y) Indebtedness of a Restricted Subsidiary of the Company that is not a Senior Notes Guarantor that refinances Indebtedness of the Senior Notes Issuer or a Senior Notes Guarantor.

“*Related Person*” with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Person;
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“*Related Taxes*” means:

- (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 Taxes), required to be paid (*provided* such Taxes are in fact paid) by any Parent Entity by virtue of its:
 - (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer or any of the Company’s Subsidiaries);
 - (b) issuing or holding Subordinated Shareholder Funding;
 - (c) being a holding company Parent Entity, directly or indirectly, of the Company, the Senior Notes Issuer, the Senior Secured Notes Issuer 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 Entity pursuant to “—*Certain Covenants—Limitation on Restricted Payments*,” or
- (2) if and for so long as any of the Company, the Senior Secured Notes Issuer and the Senior Notes Issuer is a member of a group filing a consolidated or combined tax return with any Parent Entity, any consolidated and combined Taxes measured by income for which such Parent Entity is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and its Subsidiaries had paid such Taxes on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company and its Subsidiaries.

“*Representative*” means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

“*Responsible Officer*” when used with respect to the Senior Notes Trustee, means any managing director, director, associate director, vice president, assistant vice president, assistant treasurer or trust officer within the corporate trust and agency department of the Senior Notes Trustee (or any successor group of the

Senior Notes Trustee) or any other officer of the Senior Notes Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“*Revolving Credit Facility*” means the Revolving Credit Facility available pursuant to the revolving Credit Facility Agreement.

“*Revolving Credit Facility Agreement*” means the revolving credit facility agreement dated on the Issue Date among, *inter alios*, the Company and the agent thereunder, as it shall be restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Security Agent*” means The Royal Bank of Scotland plc, acting as security agent pursuant to the Intercreditor Agreement or such successor Security Agent or any delegate thereof as may be appointed thereunder or any such security agent, delegate or successor thereof pursuant to an Additional Intercreditor Agreement.

“*Security Documents*” means the security agreements, pledge agreements, collateral assignments, call options and any other instrument and document executed and delivered pursuant to the Senior Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Senior Notes Collateral.

“*Security Providers*” means each of the Parent, the Company, the Senior Secured Notes Issuer, Hema Bakkerijen B.V., Hema Financial Services B.V., Hema België B.V., Hema Duitsland B.V. and any other Subsidiary or Affiliate of the Company that executes a Security Document in accordance with the provisions of the Senior Notes Indenture, and their respective successors and assigns, in each case, until the Lien of such Security Document has been released in accordance with the provisions of the Senior Notes Indenture and of such Security Document.

“*Senior Indebtedness*” means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Restricted Subsidiary, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or such Restricted Subsidiary at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; provided, however, that Senior Indebtedness will not include:

- (1) any Indebtedness Incurred in violation of the Senior Notes Indenture;
- (2) any obligation of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Restricted Subsidiary to any Restricted Subsidiary;
- (3) any liability for taxes owed or owing by the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Restricted Subsidiary;
- (4) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);
- (5) any Indebtedness, guarantee or obligation of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or any Restricted Subsidiary that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company or such Restricted Subsidiary; or

(6) any Capital Stock.

“*Senior Management*” means the officers, directors, and other members of senior management of the Company or any of its Subsidiaries.

“*Senior Notes Collateral*” means any collateral that secures the Senior Notes and/or the Senior Notes Guarantees and the obligations of the Senior Notes Issuer and/or the Senior Notes Guarantors under the Senior Notes Indenture from time to time.

“*Senior Notes Documents*” means the Senior Notes (including Additional Senior Notes), the Senior Notes Indenture, the Security Documents, the Senior Notes Proceeds Loan, the Intercreditor Agreement and any Additional Intercreditor Agreements.

“*Senior Notes Guarantor*” means each of the Company, the Senior Secured Notes Issuer, Hema Bakkerijen B.V., Hema Financial Services B.V., Hema België B.V., Hema Duitsland B.V. and any Additional Senior Notes Guarantor that executes a supplemental indenture in accordance with the provisions of the Senior Notes Indenture, and their respective successors and assigns, in each case, until the Senior Notes Guarantee of such Person has been released in accordance with the provisions of the Senior Notes Indenture.

“*Senior Notes Issuer*” means HEMA Bondco II B.V. and any successor thereto.

“*Senior Notes Proceeds Loan Agreement*” means that certain loan agreement made as of the Issue Date by the Company, as borrower, and the Senior Notes Issuer, as lender.

“*Senior Notes Proceeds Loan*” means the loan of the proceeds of the Senior Notes pursuant to the Senior Notes Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loans or any portion thereof.

“*Senior Secured Notes*” means the Senior Secured Notes Issuer’s €565 million aggregate principal amount of Senior Secured Notes due 2019.

“*Senior Secured Notes Indenture*” means the indenture governing the Senior Secured Notes.

“*Senior Secured Notes Issuer*” means HEMA Bondco I B.V. and any successor thereto.

“*Senior Secured Notes Proceeds Loan Agreement*” means that certain loan agreement made as of the Issue Date by the Company, as borrower, and the Senior Secured Notes Issuer, as lender.

“*Senior Secured Notes Proceeds Loan*” means the loan of the proceeds of the Senior Secured Notes pursuant to the Senior Secured Notes Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loans or any portion thereof.

“*Shared Senior Notes Collateral*” means shared security interests over the assets and property described under “—*Security—General*.” The Shared Senior Notes Collateral will be contractually subordinated, pursuant to the Intercreditor Agreement, to the Senior Secured Notes Collateral and the security interests securing the Revolving Credit Facility and certain Hedging Obligations. Any other property or assets over which security interests may in the future be granted to secure obligations under the Senior Secured Notes and the Senior Secured Notes Indenture as well as the Senior Notes and the Senior Notes Indenture would also constitute “*Shared Senior Notes Collateral*.”

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Company and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% 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 10% 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 10% 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 or any Associates 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 immediately thereafter and giving *pro forma* effect thereto, the Consolidated Leverage Ratio of the Company would have been less than (x) 5.00 to 1.00 if the date of such occurrence is prior to the second anniversary of the Issue Date or (y) 4.75 to 1.00, if the date of such occurrence is on or after the second anniversary of the Issue Date, immediately prior to the occurrence of such event and immediately thereafter and giving *pro forma* effect thereto. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Notes Indenture after the Issue Date.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and Guarantees of performance entered into by the Company or any Subsidiary of the Company which the Company has determined in good faith to be customary in a Receivables Financing, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations 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 Notes, the Senior Notes Proceeds Loans or any Senior Notes Guarantee pursuant to a written agreement. Subordinated Indebtedness shall be deemed to include any Subordinated Shareholder Funding.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Company by any Parent Entity, any Affiliate of any Parent Entity (other than the Senior Notes Issuer or the Senior Secured Notes Issuer) 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 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);
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Senior Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (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 date that is six months following the Stated Maturity of the Senior Notes;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Senior Notes Issuer, the Senior Secured Notes Issuer, the Company, or any of the Company’s Subsidiaries; and
- (5) pursuant to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

Subordinated Shareholder Funding shall be deemed to include (i) any payment-in-kind (“*PIK*”) notes issued in payment of interest thereon and (ii) any shareholder loans, preferred equity certificates and similar instruments in effect as of the Issue Date.

“*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.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties, assessments and withholdings and any charges of a similar nature (including interest, penalties, additions to tax and other liabilities with respect thereto) that are imposed or levied 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 Entity, any Subsidiary of a Parent Entity or any 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 Senior Notes Indenture. ‘

“*Temporary Cash Investments*” means any of the following:

- (1) any investment in
 - (a) direct obligations of, or obligations Guaranteed by, (i) a member state of the Pre-Expansion European Union, Switzerland, Canada, the United States of America, any State of the United States or the District of Columbia, (ii) 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 (iii) 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 Revolving Credit Facility,
 - (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 Senior Notes Issuer, the Senior Secured Notes Issuer, 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 any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, 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 any member state of the Pre-Expansion European Union, Switzerland, Canada or the United States of America, any State of the United States or the District of Columbia 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 Organisation 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 “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;
- (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 as shown on its most recent internal balance sheet prepared on the basis of IFRS, after giving *pro forma* effect to take into account any assets acquired or disposed of since the date of the Company’s latest balance sheet and any anticipated acquisitions where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part or which have not yet occurred but which have become subject to a definitive purchase agreement or contract.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*Unrestricted Subsidiary*” means:

- (1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Senior Notes Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Senior Notes Issuer 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, at the time of such designation:

- (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 Senior Notes Issuer, the Senior Secured Notes Issuer, 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 Senior Notes Issuer shall be evidenced to the Senior Notes Trustee by filing with the Senior Notes Trustee a copy of the resolution of the Board of Directors of

the Senior Notes Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Senior Notes Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Company could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Senior Notes Issuer shall be evidenced to the Senior Notes Trustee by promptly filing with the Senior Notes Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*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.

BOOK-ENTRY; DELIVERY AND FORM

General

The Notes sold outside the United States pursuant to Regulation S will initially be represented by a global note in registered form without interest coupons attached (the “*Regulation S Global Note*”). The Regulation S Global Note will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A will initially be represented by a global note in registered form without interest coupons attached (the “144A Global Note,” and together with the Regulation S Global Note, the “*Global Notes*”). The 144A Global Note will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Note (the “*144A Book-Entry Interests*”) and ownership of interests in the Regulation S Global Note (the “*Regulation S Book-Entry Interests*,” and, together with the 144A Book-Entry Interests, the “*Book-Entry Interests*”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in each of the Indentures governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems the account of a participant with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream, as applicable (or its nominee), will be considered the sole holder of Global Notes for all purposes under the Indentures governing the Notes. As such, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests, in order to transfer their interests or to exercise any rights of holders under the Indentures.

None of the Issuers, the Trustees, the Paying Agent, the Transfer Agent or the Registrar under the Indentures nor any of 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

Under the terms of the Indentures governing the Notes, owners of Book-Entry Interests will receive Notes in definitive registered form (the “*Definitive Registered Notes*”):

- if Euroclear or Clearstream notifies an Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by such Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream following an event of default under the Indentures.

In such an event, the Issuers will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear or Clearstream or the respective Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in “*Notice to Investors*,” unless that legend is not required by the Indentures or applicable law.

The Issuers will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Notes, (ii) any date fixed for redemption of the Notes or (iii) the date fixed for selection of the Notes to be redeemed in part. Also, the Issuers are not required to register the transfer or exchange of any Notes selected for redemption. In the event of the transfer of any Definitive Registered Note, the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents as described in the Indentures. The Issuers may require a holder to pay any taxes and fees required by law and permitted by the Indentures and the Notes.

If Definitive Registered Notes are issued and a holder thereof claims that any such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if any such Definitive Registered Note is mutilated and is surrendered to the Registrar or at the office of the Transfer Agent, the respective Issuer will issue and the Trustee (or its appointed agent) will authenticate a replacement Definitive Registered Note if the Trustee's and the relevant Issuer's requirements are met. An Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect the Issuers, the Trustee, the Registrar, the Transfer Agent or the Paying Agent appointed pursuant to the Indentures from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuers may charge for any expenses incurred by it in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuers pursuant to the provisions of the Indentures, the relevant Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the Registrar or the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors.*"

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream (or their respective nominees), as applicable, will distribute the same amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuers understand that under existing practices of Euroclear and Clearstream, if fewer than all 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), on a *pro rata* basis or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount at maturity may be redeemed in part.

Payments on Global Notes

The Issuers will make payments of amounts owing in respect of the Global Notes (including principal, premium, if any, interest, additional interest and additional amounts) to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. The Issuers will make payments of all such amounts without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Senior Secured Notes—Withholding Taxes,*" and "*Description of the Senior Notes—Withholding Taxes.*" If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Senior Secured Notes—Withholding Taxes,*" and "*Description of the Senior Notes—Withholding Taxes,*" the Issuers will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuers expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indentures governing the Notes, the Issuers, the Paying Agent, the Registrar, the Transfer Agent and the Trustees will treat the registered holders of the Global Notes (e.g., Euroclear or Clearstream or their respective nominees) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuers, the Trustees, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- Euroclear, Clearstream or any participant or indirect participant; or
- any other matters relating to the actions and practices of Euroclear, Clearstream, or any other participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in “street name.”

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in Euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. None of the Issuers, the Trustees, the Initial Purchasers or any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuers that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. Nevertheless, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indentures governing the Notes.

The Rule 144A Global Note will bear a legend to the effect set forth in “*Notice to Investors.*” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “*Notice to Investors.*”

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note only upon receipt by the Trustee of a written certification (in the form provided in the Indentures governing the Notes) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Subject to the foregoing, and as set forth in “*Notice to Investors*,” Book-Entry Interests may be transferred and exchanged as described under “*Description of the Senior Secured Notes—Transfer and Exchange*,” and “*Description of the Senior Notes—Transfer and Exchange*.” Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of the Senior Secured Notes—Transfer and Exchange*” and “*Description of the Senior Notes—Transfer and Exchange*” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indentures) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Notice to Investors*.”

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream. The Issuers provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Issuers nor the Initial Purchasers are responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

As Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Note only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

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. The Issuers expect that secondary trading in any certificated Notes will also be settled in immediately available funds. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Although Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuers, any Guarantor, the Trustees or the Paying Agent will have any responsibility for the performance by Euroclear or Clearstream, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in Euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered

form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

TAX CONSIDERATIONS

If you are a prospective investor, you should consult your tax advisor as to the possible tax consequences of buying, holding or selling any Notes under the laws of your country of citizenship, residence or domicile, including the effect of any local taxes applicable to you. The discussions that follow do not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase, hold or sell Notes. In particular, these discussions do not consider any specific facts or circumstances that may apply to you. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as of the date of this offering memorandum. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.

Material United States Federal Income Tax Consequences

General

To ensure compliance with Treasury Department 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 U.S. federal tax law. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

The following is a summary of the material 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 “issue price” (the first price at which a substantial amount of Notes is sold to investors for cash, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

For purposes of this summary, 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 who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, 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 United States 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 of the U.S. Internal Revenue Service (“*IRS*”) 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, does not address any U.S. federal taxes other than U.S. federal income taxes (such as estate or gift taxes or the Medicare tax on certain investment income) and does not deal with any foreign, state or local or other tax considerations that may be relevant to U.S. holders in light of their particular 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. federal 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; or

- alternative minimum tax consequences, if any.

If an entity or arrangement treated as a partnership for U.S. 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 or a partnership considering an investment in the Notes, you should consult your own tax advisors.

If you are considering the purchase of Notes, you should consult your own tax advisors concerning the particular United States federal 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 Stated Interest

Subject to the foreign currency rules discussed below, stated 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 regular method of accounting for U.S. federal income tax purposes. In addition to stated interest on the Notes (without reduction for any foreign tax withheld from the stated interest payments you receive), you will be required to include in income any additional amounts paid in respect of such tax withheld.

You may be entitled to deduct or credit any foreign tax withheld, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your applicable foreign taxes for a particular tax year). Stated interest (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 or, in the case of certain U.S. holders, general 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 own tax advisor regarding the availability of the foreign tax credit in 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 (as ordinary income) the U.S. Dollar value of the Euros denominated stated interest payment, determined by translating the Euros received at the spot rate of exchange in effect on the date the payment is received regardless of whether the payment is in fact converted into United States Dollars. You will not recognize foreign currency exchange gain or loss with respect to the receipt of such stated interest, but you may have exchange gain or loss attributable to the actual disposition of the Euros so received.

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 the Euros denominated stated interest payment in accordance with either of two methods. Under the first method, you will be required to include in income (as ordinary income) for each taxable year the U.S. Dollar value of the Euros denominated stated interest that has accrued during such year, determined by translating such stated interest into U.S. Dollars at the average spot rate of exchange for the period or periods (or portions thereof) in such taxable year during which such stated interest accrued. Under the second method, you may elect to translate stated interest income into U.S. Dollars at the spot rate of exchange on:

- the last day of the accrual period,
- in the case of an accrual period that spans two taxable years, the last day of the taxable year for any portion of any accrual period ending on the last day of such taxable year, or
- the date the stated 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 IRS. You should consult your own tax advisor as to the advisability of making the above election.

In addition, upon receipt of a stated interest payment on a Note (including, upon the sale or other taxable disposition of a Note, amounts attributable to accrued but unpaid stated interest), if you are a U.S. holder using the accrual method you will recognize foreign currency exchange gain or loss in an amount equal to the difference, if any, between the U.S. Dollar value of such payment (determined by translating the Euros received at the spot rate of exchange in effect on the date of receipt) and the U.S. Dollar value of the stated interest income you previously included in income with respect to such payment, regardless of

whether the payment is in fact converted into U.S. Dollar at such time. Any such foreign currency exchange gain or loss generally will be treated, for U.S. foreign tax credit purposes, as U.S. source ordinary income or loss, and generally will not be treated as an adjustment to interest income or expense.

Sale, Exchange, Retirement, Redemption and Other Taxable Disposition of Notes

Subject to the foreign currency rules discussed below, upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such sale, exchange, retirement, redemption or other taxable disposition (less any amounts attributable to accrued but unpaid stated interest, if any, which will be taxable as interest income as described above in “—*Payments of Stated 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 decreased by the U.S. Dollar value of the aggregate amount of payments on such Note (other than stated interest) made to you. If you purchased your Note with Euros, your U.S. Dollar cost generally will be the U.S. Dollar value of the Euros paid for such Note determined at the spot rate of exchange on the closing date of the initial offering. If your Note is sold, exchanged, retired, redeemed or otherwise disposed of in a taxable transaction for pounds sterling, then your amount realized generally will be the U.S. Dollar value of such Euros received based on the spot rate of exchange in effect on the date of such sale, exchange, retirement, redemption or other taxable disposition. However, if you are a cash method taxpayer and the Notes are traded on an established securities market, the amount realized generally will be the U.S. Dollar value of such Euros received at the spot rate of exchange on the settlement date of the sale. An accrual method taxpayer may elect the same treatment with respect to the sale of Notes traded on an established securities market, provided that the election is applied consistently to all debt instruments held by such U.S. holder. Such election cannot be changed without the consent of the IRS. An accrual method taxpayer that does not make the foregoing election will recognize foreign currency exchange gain or loss (taxable as ordinary income or loss) if there are exchange rate fluctuations between the disposition date and the settlement date.

Subject to the foreign currency rules discussed below, any gain or loss recognized generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, retirement, redemption or other taxable disposition, you have held the Note for more than one year. Capital gains of non-corporate U.S. holders (including individuals) derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss realized by you on the sale, exchange, retirement, redemption or other taxable disposition of a Note generally would be treated as U.S. source gain or loss.

A portion of any gain or loss with respect to the principal amount of a Note may be treated as exchange gain or loss. Any exchange gain or loss generally will be treated as ordinary income or loss and generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. 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, if any, between (i) the U.S. Dollar value of the principal amount determined at the spot rate of exchange on the date of the sale, exchange, retirement, redemption or other taxable disposition of the Note (i.e., if the Notes are traded on an established securities market for U.S. federal income tax purposes, the trade date of such disposition, except, in the case of a cash basis taxpayer or an accrual method taxpayer making the election referred to above, the settlement date of such disposition) and (ii) the U.S. Dollar value of the principal amount determined at the spot rate of exchange on the date you purchased the Note. In addition, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may realize exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, if any, which will be treated as discussed above under “—*Payment of Stated Interest*.” However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize any foreign currency exchange gain or loss (including with respect to accrued interest) only to the extent of total gain or loss realized by such U.S. holder on such disposition.

Exchange Gain or Loss with Respect to Euros

On a sale, exchange or other taxable disposition of Euros, you generally will recognize gain or loss in an amount equal to the difference, if any, between (i) the amount of U.S. Dollars, or the fair market value in U.S. Dollars of any other property, received by you in such disposition and (ii) your tax basis in the Euros.

Your tax basis in the Euros received as interest on, or on the sale, exchange, retirement, redemption or other taxable disposition of, a Note will be the U.S. Dollar value thereof at the spot rate of exchange in effect on the date the Euros are received. As discussed above, if the Notes are traded on an established securities market, a cash basis U.S. holder (or, upon election, an accrual basis U.S. holder) will determine the U.S. Dollar value of the Euros by translating the Euros received at the spot rate of exchange on the settlement date of the sale, exchange, retirement, redemption or other taxable disposition (that is, the same date that the Euros are valued for purposes of determining the amount realized on the Note) and your tax basis in the Euros received would be equal to the spot rate of exchange on the settlement date.

Any gain or loss recognized by you on a sale, exchange or other disposition of the Euros generally will be ordinary income or loss and generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes.

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, redemption or other taxable disposition of a Note or Euros received in respect of a Note to the extent that such sale, exchange, retirement, redemption or other taxable disposition results in a tax loss in excess of a threshold amount. You should consult your own tax advisors 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) as part of your U.S. federal income tax return.

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments of stated interest on a Note and the proceeds from a sale, exchange, retirement, redemption or other disposition of a Note, unless you are an exempt recipient (such as a corporation). Additionally, if you fail to provide your taxpayer identification number or to certify that you are not subject to backup withholding you may be subject to backup withholding with respect to the foregoing amounts.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will 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.

Foreign Financial Asset Reporting

Individuals who own “specified foreign financial assets” with an aggregate value in excess of \$50,000 on the last day of the tax year or more than \$75,000 at any time during the tax year (or such larger values as specified in relevant legislation) are generally required to file information reports with respect to such assets with their U.S. federal income tax returns. The Notes are expected to constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at U.S. financial institutions. You are urged to consult your own tax advisor regarding your obligations to file information reports with respect to the Notes, including the significant penalties for non-compliance.

Certain Dutch Tax Consequences

General

The following is a general summary of certain Netherlands tax consequences of the acquisition, holding and disposal of the Notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. In view of its general nature, it should be treated with corresponding caution. Holders or prospective holders of Notes should consult with their tax advisers with regard to the tax consequences of investing in the Notes in their particular circumstances. The discussion below is included for general information purposes only.

Except as otherwise indicated, this summary only addresses Netherlands national tax legislation and published regulations, whereby the Netherlands means the part of the Kingdom of the Netherlands located

in Europe, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

Please note that the summary in this section does not describe the Netherlands tax consequences for:

- i. holders of Notes if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in the Issuers under The Netherlands Income Tax Act 2001 (in Dutch: "*Wet inkomstenbelasting 2001*"). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (as defined in The Netherlands Income Tax Act 2001), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest may arise if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- ii. pension funds, investment institutions (in Dutch: "*fiscale beleggingsinstellingen*"), exempt investment institutions (in Dutch: "*vrijgestelde beleggingsinstellingen*") (as defined in The Netherlands Corporate Income Tax Act 1969; in Dutch: "*Wet op de vennootschapsbelasting 1969*") and other entities that are, in whole or in part, not subject to or exempt from Netherlands corporate income tax; and
- iii. holders of Notes who are individuals for whom the Notes or any benefit derived from the Notes are a remuneration or deemed to be a remuneration for activities performed by such holders or certain individuals related to such holders (as defined in The Netherlands Income Tax Act 2001).

Residents of the Netherlands

Generally speaking, if the holder of Notes is an entity that is a resident or deemed to be resident of the Netherlands for Netherlands corporate income tax purposes, any payment under the Notes or any gain or loss realized on the disposal or deemed disposal of the Notes is subject to Netherlands corporate income tax at a rate of 20% with respect to taxable profits up to €200,000 and 25% with respect to taxable profits in excess of that amount.

If a holder of Notes is an individual, resident or deemed to be resident of the Netherlands for Netherlands income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands), any payment under the Notes or any gain or loss realized on the disposal or deemed disposal of the Notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

- i. the Notes are attributable to an enterprise from which the holder of Notes derives a share of the profit, whether as an entrepreneur or as a person who has a co entitlement to the net worth (in Dutch: "*medegerechtigd tot het vermogen*") of such enterprise without being a shareholder (as defined in The Netherlands Income Tax Act 2001); or
- ii. the holder of Notes is considered to perform activities with respect to the Notes that go beyond ordinary asset management (in Dutch: "*normaal, actief vermogensbeheer*") or derives benefits from the Notes that are taxable as benefits from other activities (in Dutch: "*resultaat uit overige werkzaamheden*").

If the above-mentioned conditions i. and ii. do not apply to the individual holder of Notes, such holder will be taxed annually on a deemed income of 4% of his/her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year are the fair market value of the investment assets less the allowable liabilities on January 1 of the relevant calendar year. The Notes are included as investment

assets. A tax free allowance may be available. Actual income, gains or losses in respect of the Notes are not subject to Netherlands income tax.

Non-residents of the Netherlands

A holder of Notes that is neither resident nor deemed to be resident of the Netherlands nor has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands will not be subject to Netherlands taxes on income or capital gains in respect of any payment under the Notes or in respect of any gain or loss realized on the disposal or deemed disposal of the Notes, provided that:

- i. such holder does not have an interest in an enterprise or deemed enterprise (as defined in The Netherlands Income Tax Act 2001 and The Netherlands Corporate Income Tax Act 1969) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Notes are attributable; and
- ii. in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the Notes that go beyond ordinary asset management and does not derive benefits from the Notes that are taxable as benefits from other activities in the Netherlands.

Gift and Inheritance Taxes

Residents of the Netherlands

Gift or inheritance taxes will arise in the Netherlands with respect to a transfer of the Notes by way of a gift by, or on the death of, a holder of such Notes who is resident or deemed resident of the Netherlands at the time of the gift or his/her death.

Non-residents of the Netherlands

No Netherlands gift or inheritance taxes will arise on the transfer of Notes by way of gift by, or on the death of, a holder of Notes who is neither resident nor deemed to be resident in the Netherlands, unless:

- i. in the case of a gift of a Note by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands; or
- ii. the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

For purposes of Netherlands gift and inheritance taxes, amongst others, a person that holds the Netherlands nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Netherlands nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Value Added Tax (VAT)

No Netherlands VAT will be payable by the holders of the Notes on (i) any payment in consideration for the issue of the Notes or (ii) the payment of interest or principal by the Issuers under the Notes.

Other Taxes and Duties

No Netherlands registration tax, stamp duty or any other similar documentary tax or duty will be payable by the holders of the Notes in respect of (i) the issue of the Notes or (ii) the payment of interest or principal by the Issuers under the Notes.

European Union Savings Directive

The European Union has adopted Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the “*Savings Directive*”). The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar

income paid by a person to (or for the benefit of) an individual or to certain other persons in another Member State, except that Austria and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. On March 18, 2014, the Luxembourg government has submitted to the Luxembourg Parliament the draft law No. 6668 replacing the withholding tax system as from January 1, 2015 by the automatic exchange of information system under the Savings Directive.

On March 24, 2014, the European Council adopted a European Union Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Savings Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Savings Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by January 1, 2016 (which national legislation must apply from January 1, 2017). Investors who are in any doubt as to their position should consult their professional advisors.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers will undertake to maintain a Paying Agent with a specified office in a Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000.

The Proposed Financial Transactions Tax

The European Commission has published a proposal for a Directive for a common financial transaction tax (“*FTT*”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the participating Member States). The proposed FTT has very broad scope. If introduced in its current form, the FTT could apply to certain dealings in the Notes in certain circumstances. However, the issuance and subscription of the Notes should be exempt. Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution and at least one party is established in a participating Member State. The FTT proposal remains subject to negotiation between the participating Member States and has been the subject of legal challenge. It may therefore be altered prior to any implementation and the timing of implementation is currently uncertain. Additional EU Member States may decide to participate in the FTT.

Prospective holders of Notes are advised to consult their own professional advisers if they require any advice or further information in relation to the FTT.

LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND SECURITY INTERESTS

Set forth below is a summary of certain limitations on the enforceability of the Notes Guarantees and the security interests in some of the jurisdictions in which the Notes Guarantees or the Collateral are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and collect payment in full under the Notes, the Notes Guarantees and the security interests in the Collateral. Also set forth below is a brief description of certain aspects of insolvency law in the European Union, the Netherlands and Belgium.

European Union

Insolvency

Pursuant to Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings, as amended (the “*EU Insolvency Regulation*”), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state of the European Economic Area (the “*Member State*”) (other than Denmark) where the company concerned has its “center of main interests” (as that term is used in Article 3(1) of the *EU Insolvency Regulation*). The determination of where any such company has its “center of main interests” is a question of fact on which the courts of the different Member States may have differing and even conflicting views. To date, no final decisions have been taken in cases that have been brought before the European Court of Justice in relation to questions of interpretation or the effects of the *EU Insolvency Regulation* throughout the European Union.

Furthermore, “center of main interests” is not a static concept and may change from time to time. 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 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 location where the large majority of the company’s creditors are established 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 any such 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 to the *EU Insolvency Regulation*. Insolvency proceedings opened in one Member State under the *EU Insolvency Regulation* are to be recognized in other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. If the “center of main interests” of a debtor is in one Member State (other than Denmark), under Article 3(2) of the *EU Insolvency Regulation* the courts of another Member State (other than Denmark) have jurisdiction to open secondary proceedings only in the event that such debtor has an “establishment” (within the meaning and as defined in Article 2(h) of the *EU Insolvency Regulation*) in the territory of such other Member State. Where such “establishment” in another Member State does exist, territorial proceedings under Article 3(4) of the *EU Insolvency Regulation* may be opened prior to the opening of main proceedings provided proceedings under Article 3(1) of the *EU Insolvency Regulation* cannot be opened because of the conditions laid down by the law of the Member State within the territory of which the center of the debtor’s main interests is situated, or where the opening of territorial insolvency proceedings is requested by a creditor who has his domicile, habitual residence or registered office in the Member State within the territory of which the establishment is situated, or whose claim arises from the operation of that establishment. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open secondary proceedings in respect of such issuer or guarantor under the *EU Insolvency Regulation* (except for companies with an unregistered establishment located in Germany, where the courts do not construe Article 2(h) of the *EU Insolvency Regulation* to require any registration of an establishment). Irrespective of the insolvency proceedings being main or secondary proceedings, they will always, subject to certain exemptions, be governed by the *lex fori concursus*, i.e. the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the debtor.

Therefore, in the event that the Issuers or any Guarantor experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings.

The Netherlands

Insolvency Proceedings

The Issuers and the Guarantors are incorporated in the Netherlands. In the event of the insolvency of the Issuers or a Guarantor, insolvency proceedings with respect to those entities would likely proceed under, and be governed by, Dutch insolvency law. Dutch insolvency laws are different from the insolvency laws of other jurisdictions, and this may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

Under Dutch law, there are two applicable corporate insolvency proceedings: moratorium of payments (*surseance van betaling*) and bankruptcy (*faillissement*). A moratorium or suspension of payments (“moratorium”) is a court-ordered general suspension of a debtor’s obligations to its creditors. Its purpose is to facilitate the reorganization of a debtor’s debts and enable the debtor to continue as going concern. A moratorium is available at the request of the debtor on the ground that the debtor will be unable to continue payments when they fall due and could be used as a defense by the debtor against a bankruptcy application by a third-party. It may be ordered only by the district court located in the district in which the company has its statutory seat. Upon the filing of the request for a moratorium, the court will automatically grant the moratorium on a provisional basis and appoint at least one administrator (*bewindvoerder*) of the debtor’s estate.

Subsequently, the unsecured creditors must vote in a meeting convened by the court as to whether a definitive moratorium should be granted. The court will then decide whether to grant a definitive moratorium or, alternatively, the court may declare the debtor bankrupt. The court will grant a definitive moratorium unless such moratorium is opposed by either (i) creditors having claims jointly exceeding one quarter of the total amount of claims represented at the meeting, or (ii) more than one-third of creditors whose claims are represented at the meeting. A moratorium takes effect retroactively from midnight on the day on which the court has granted the provisional suspension of payments.

Bankruptcy is a court-ordered general attachment of the assets of a debtor for the benefit of the debtor’s collective creditors. The purpose of bankruptcy is to provide for an equitable liquidation and distribution of the proceeds of the debtor’s assets among its creditors. Bankruptcy may be ordered only by the district court located in the district in which the company has its statutory seat. An application for bankruptcy can be made by either (i) one or more creditors of the debtor, (ii) the public prosecutor (if the public interest so requires), or (iii) the debtor itself, on the grounds that the debtor has ceased paying its debts. A debtor is considered to have ceased paying its debts if claims of at least two creditors for payments due remain unpaid. There is no legal duty for a debtor to file for its own bankruptcy. However, if the managing board of a company realizes that the company is or will be unable to pay its debts when they come due, it is required to take appropriate measures, which could include the cessation of trading, notification of creditors and the filing for either bankruptcy or a moratorium of payments (see above).

As a result of a bankruptcy, the debtor loses all rights to administer and dispose of its assets. Furthermore, all pending executions of judgments and any attachments on the debtor’s assets will be terminated by operation of law, and any pending litigation on the date of the bankruptcy order is automatically suspended.

A bankruptcy order takes effect retroactively from midnight on the day the order is rendered. In the event of bankruptcy, a court will appoint a receiver in bankruptcy (*curator*) at its own discretion, which, in most cases, will be a practicing lawyer in the Netherlands. The receiver in bankruptcy manages the bankrupt estate, which consists of all of the debtor’s assets and liabilities that exist on the date on which the bankruptcy order became final, and of all assets acquired during the bankruptcy. The bankruptcy estate is not liable for obligations incurred by the debtor after the bankruptcy order, except to the extent that such obligations arise from transactions that are beneficial to the estate. A receiver in bankruptcy operates under the supervision of a bankruptcy judge designated by the court, and thus most of a receiver in bankruptcy’s major decisions require the prior approval of the bankruptcy judge.

Secured creditors can exercise their rights during the bankruptcy or a moratorium as normal. However, the bankruptcy judge may call a “freeze-order” (*afkoelingsperiode*) for a maximum period of four months (consisting of an initial two months, with a possible two month extension), during which period the secured

creditors cannot exercise their rights without the approval of the bankruptcy judge. The receiver in bankruptcy can force secured creditors to enforce their security rights within a reasonable period of time, failing which the receiver in bankruptcy will be entitled to sell the secured assets and distribute the proceeds. The receiver in bankruptcy is authorized to make such forced sales in order to prevent a secured creditor from delaying the enforcement of the security without good reason. If a receiver in bankruptcy does make a forced sale of secured assets, the secured creditors have to contribute to the general bankruptcy expenses (*algemene faillissementskosten*) and will receive payment from the proceeds of that sale prior to ordinary, non-preferred creditors having an insolvency claim, but after creditors of the estate (*boedelschuldeisers*), and subject to satisfaction of higher-ranking claims of creditors. Dutch tax authorities (*belastingdienst*) have a preferential claim in respect of the collection of certain taxes (e.g., social security premiums, wage tax, value added tax, etc.) on certain movable property found on the debtor's premises (*bodemvoorrecht*). They may take recourse against such property irrespective of whether any security interests over such property exist. Excess proceeds of enforcement of security rights must be returned to the debtor in bankruptcy and may not be set-off against any unsecured claims that the secured creditors may have. Such set-off is, in principle, only allowed prior to the bankruptcy proceedings.

All unsecured, pre-bankruptcy claims need to be submitted to the receiver in bankruptcy for verification, and the receiver in bankruptcy makes a determination as to the existence, ranking and value of the claim and whether and to what extent it should be admitted in the bankruptcy proceedings. Creditors that wish to dispute the verification of their claims by the receiver in bankruptcy will be referred to the claim validation proceedings (*renvooiprocedure*) in order to establish the amount and rank of the disputed claim.

Interest accruing after the date of the bankruptcy order cannot be admitted unless secured by a pledge or mortgage. In that event, interest will be admitted *pro memoria*. To the extent that an interest is not covered by the proceeds of the security the creditor may not derive any rights from the admission. No interest is payable in respect of unsecured claims as of the date of a bankruptcy.

A Dutch pledge can serve as security for monetary claims (*geldvorderingen*) only and can only be enforced upon default (*verzuim*) of the obligations secured thereby. Foreclosure on pledged property is to be carried out in accordance with the applicable provisions and limitations of the Netherlands Civil Code (*Burgerlijk Wetboek*) and the Netherlands Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

Limitations on Enforcement of Guarantees and Security Interests

You may not be able to enforce, or recover any amounts under a guarantee of, and security interests granted by or in, any Dutch Guarantor due to restrictions on the validity and enforceability of security interests and guarantees under Dutch law. Under Dutch law, it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim purported to be secured by such security interests. For that reason, the security documents pursuant to which a security interest will be granted in the assets of the Dutch subsidiaries use a parallel debt structure, whereby the Dutch subsidiaries, as separate and independent obligations, undertake to pay to the Security Agent on behalf of the holders of the Notes offered hereby amounts equal to the amounts due by it to the other creditors. Such parallel debt structure therefore creates a separate and independent claim of the Security Agent on behalf of the holders of the Notes offered hereby which can be secured by a security interest. Consequently, the security interests are granted to the Security Agent on behalf of the holders of the Notes offered hereby in its own capacity as creditor acting in its own name pursuant to the parallel debt, and not as a representative (*vertegenwoordiger*) of the creditors. It is expressly agreed in such a parallel debt provision that the obligations of the debtor to the Security Agent on behalf of the holders of the Notes offered hereby shall be decreased to the extent that the corresponding principal obligations to the creditors are reduced (and vice versa). However, such a parallel debt structure has never been tested before a Dutch court and we cannot assure that it will mitigate or eliminate the risk of unenforceability posed by Dutch law.

Under Dutch law, receipt of any payment made by the any Dutch Guarantor under a guarantee or security interest may be adversely affected by specific or general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such guarantee or security interest. The validity and enforceability of a guarantee of, or a security interest granted by or in, any Dutch Guarantors may also be successfully contested by the any Dutch Guarantors (or their receiver in bankruptcy) on the basis of an *ultra vires* claim. The validity and enforceability of the obligations of our Dutch subsidiaries under a guarantee or security interest may also be successfully contested by any creditor, or by the subsidiaries' respective receiver in bankruptcy when the subsidiary is in bankruptcy proceedings, if such obligation is prejudicial to the interests of any other creditor and the other requirements for voidable preference under

the Netherlands Civil Code and Netherlands Bankruptcy Act are met. As a result, the value of the guarantee and security interests provided by the Dutch Guarantors may be limited.

A corporate resolution approving the issuance of a guarantee by the Dutch company or a security to be provided by the Dutch company may be suspended or voided by the Enterprise Chamber of the Court of Appeals in Amsterdam (*Ondernemingskamer van het Gerechtshof Amsterdam*) on the motion of one or more holders of shares or depository receipts issued for shares in such company who, solely or jointly, represent at least one-tenth of the issued capital or who are entitled to an amount of in shares or depository receipts issued therefore with a nominal value of €225,000 or such lesser amount as is provided by the articles of association (*statuten*) of the relevant company, and persons who are authorized to do so by the articles of association or under an agreement with such company. The right to file such motion is further vested in an association of employees which has amongst its members person working for the enterprise and which has at least two years full legal capacity, and, for reasons of public interest, the advocate general at the Court of Appeal in Amsterdam. Likewise, the guarantee or security itself may be upheld by the Enterprise Chamber, yet actual payment under it may be suspended or voided.

Pursuant to Dutch law, payment under a guarantee or a security document governed by Dutch law may be withheld under doctrines of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*niet toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorziene omstandigheden*) and other defenses afforded by Dutch law to obligors generally. Other general defenses include claims that a guarantee or security interest should be avoided because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*). Furthermore, under Dutch law, a party to an agreement may under certain circumstances suspend performance of its obligations under such agreement pursuant to the *exceptio non-adimpleti contractus* or otherwise.

Dutch law contains specific provisions dealing with fraudulent conveyance both in and outside of bankruptcy, the so-called *actio pauliana* provisions. The *actio pauliana* offers creditors protection against a decrease in their means of recovery. A legal act performed by a person (including, without limitations, an agreement pursuant to which it guarantees the performance of the obligations of a third party and any other legal act having similar effect) can be challenged in or outside bankruptcy of the relevant person and may be nullified by the receiver in bankruptcy in a bankruptcy of the relevant person or by any of the creditors of the relevant person outside bankruptcy, if (i) the person performed such acts without an obligation to do so (*onverplicht*), (ii) the creditor concerned or, in the case of the person's bankruptcy, any creditor, was prejudiced in its means of recovery as a consequence of the act, and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of its creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*om niet*) in which case such knowledge of the counterparty is not necessary for a successful challenge on the grounds of fraudulent conveyance.

Pursuant to Article 2:7 of the Netherlands Civil Code (*Burgerlijk Wetboek*), any transaction entered into by a legal entity may be nullified by the legal entity itself or its receiver in bankruptcy (curator) if the objects of that entity were transgressed by the transaction and the other party to the transaction knew or should have known this without independent investigation (*wist of zonder eigen onderzoek moest weten*). The Netherlands Supreme Court (*Hoge Raad der Nederlanden*) has ruled that in determining whether the objects of a legal entity are transgressed, not only the description of the objects in that legal entity's articles of association (*statuten*) is decisive, but all (relevant) circumstances must be taken into account, in particular whether the transaction is in the company's corporate interests (*vennootschappelijk belang*) and to its benefit; and whether the subsistence of the company is jeopardized by the transaction.

Belgium

Insolvency

One Guarantor is organized under the laws of Belgium (the "*Belgian Guarantor*"). Provided Belgium is the territory in which the center of a Belgian Guarantor's main interests is situated, main insolvency proceedings may be initiated in Belgium. Such proceedings would then be governed by Belgian law. Belgian insolvency law could impact the validity or enforceability of the Notes Guarantees of such Guarantor.

There are two primary insolvency regimes under Belgian law. The first, called judicial reorganization (*reorganisation judiciaire/gerechtelijke reorganisatie*) is subject to the act dated January 31, 2009 and is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going

concern. The second, called bankruptcy (*faillite/faillissement*), is subject to the act dated August 8, 1997 (the “*Bankruptcy Act*”) and is designed to liquidate and distribute the assets of a debtor to its creditors. In addition, Belgian law allows for liquidation in deficit (*deficitaire vereffening/liquidation déficitaire*). A liquidation in deficit is a liquidation, outside of the bankruptcy procedure, whereby the assets present in the company are not sufficient to pay all company’s debts. Liquidation in deficit is only possible with the consent of the company’s creditors and is subject to the rules on liquidation provided in the Belgian Companies Code. The procedure is used to avoid bankruptcy and is often accompanied by (partial) debt reliefs. The latter proceedings will not be further discussed.

The Judicial Reorganization

A debtor (and in limited circumstances, its creditors, interested third parties or the public prosecutor) may file a petition for judicial restructuring if the continuity of the enterprise is at risk, whether immediately or in the future. If the net assets of a company have dropped below 50% of the company’s issued capital, the continuity of the enterprise is presumed to be at risk. As from the filing of the petition with the competent commercial court overseeing the judicial restructuring and for as long as such court has not issued a judgment thereon, the debtor cannot be declared bankrupt or wound up by court order. Furthermore, during this period, with limited exceptions, none of the debtor’s assets may be realized by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets. Within a period of 14 days as from the filing of the petition and subject to the satisfaction of the filing conditions, the court may decide to open the judicial restructuring procedure, thereby, granting a temporary moratorium to the debtor for a period of maximum six months. At the request of the debtor and pursuant to the report issued by the delegated judge, the moratorium period can thereafter be extended (once or several times) up to a total maximum period of 12 months as from the judgment opening the judicial restructuring. In exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment), and in the interest of the creditors, the court may order an additional extension of the moratorium period for six months.

The granting of the temporary moratorium operates as a stay. No enforcement measures with respect to preexisting claims in the moratorium can be continued or initiated against any of the debtor’s assets from the time that the moratorium is granted until the end of the period, with limited exceptions. Conservatory attachments that existed prior to the opening of the judicial restructuring retain their conservatory character, but the court may order their release, provided that such release does not have a material adverse effect on the situation of the creditor concerned. In principle a pledge on receivables will not be affected by the moratorium if the receivables were pledged by the debtor in favor of a creditor prior to the opening of the judicial restructuring proceedings and provided the receivables are pledged specifically to that creditor from the moment the pledge is created). Although challenged in certain case law, the pledgee is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (e.g., the debtor’s customers) during the moratorium. Notwithstanding the enforcement prohibition imposed by the moratorium, a pledge on financial instruments within the meaning of the Belgian Collateral Act (*Wet Financiële Zekerheden van 15 december/Loi sur les Sûretés Financières de 15 décembre 2004*) can be enforced, subject to limited exceptions. Personal guarantees granted by third parties in favor of the debtor’s creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors, subject to certain exceptions or qualifications in respect of guarantees granted by individuals. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium, to the extent such payment is necessary for the continuity of the enterprise. However, in respect of an enforcement over pledged cash falling within the scope of the Belgian Collateral Act, the enforcement prohibition applies, with limited exceptions (notably in the event of a payment default), if the judicial reorganization procedure affects (i) a corporate debtor which is not a public or financial legal entity in the meaning of the Belgian Collateral Act or (ii) a public or financial legal entity but the creditor is not such an entity.

During judicial restructuring proceedings, the board of directors and management of the debtor continue to exercise their management functions. However, upon request of the debtor or any other interested party and to the extent it is deemed useful for reaching the aims of the restructuring, the court may appoint, in its decision to open the judicial restructuring procedure or at any other point in time during the course of the procedure, a judicial administrator (*gerechtsmandataris/mandataire de justice*) to assist the debtor during the moratorium. The court may also appoint a judicial administrator, upon request of any interested party or the public prosecutor, in the event of manifestly grave shortcomings or bad faith of the debtor or any of its corporate bodies, to either exercise particular tasks indicated by the court, or to replace

the debtor or any of its corporate bodies for the duration of the moratorium. In addition, in the event of manifestly gross error or manifest bad faith, a court appointed temporary director (*voorzitter bestuurder/administrateur provisoire*) may be appointed.

The restructuring procedure aims to preserve the continuity of a company as a going concern. Consequently, the initiation of the judicial reorganization proceedings does not terminate any contracts, and contractual provisions which provide for the early termination or acceleration of the contract upon the initiation or approval of a restructuring procedure, and certain contractual terms such as default interest, may not be enforceable during such a procedure. Such enforcement prohibition applies, with a few exceptions, to close-out netting provisions as well, if the judicial reorganization procedure affects (i) a corporate debtor which is not a public or financial legal entity in the meaning of the Belgian Collateral Act or (ii) a public or financial legal entity but the creditor is not such an entity. The Belgian law dated January 31, 2009 on judicial restructuring provides that a creditor may not terminate a contract on the basis of a debtor's default that occurred prior to the restructuring procedure if the debtor remedies such default within a 15-day period following the notification of such default.

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the restructuring proceedings, provided that the debtor notifies the creditor and that such default is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the enterprise or its assets. The exercise of this right does however not prevent the creditor from suspending in turn the performance of its own obligations.

Judicial restructuring by collective agreement, by amicable settlement or by court ordered transfer of enterprise

Judicial restructuring proceedings may result in an amicable settlement between the debtor and two or more of its creditors or a collective agreement. The type of reorganization may change during the proceedings and may also depend on the position of the court and all parties involved. In the case of an amicable settlement, the parties to such amicable settlement will be bound by the terms they have agreed.

In the case of a judicial restructuring by collective agreement, the creditors agree to a restructuring plan during the restructuring procedure. The plan may include measures such as the reduction or rescheduling of liabilities and interest obligations and the swap of debt into equity. It must be filed with the Clerk's Office of the Commercial Court at least 20 days in advance of the date on which the creditors will vote on the approval of the restructuring plan. The court needs to ratify the restructuring plan prior to it taking effect. A restructuring plan approved by a double majority of the creditors (both in headcount and in value of the claims) and by the court will bind all creditors, including those who voted against it or did not vote and whether secured or not (the measures which can be imposed on creditors holding security rights are however limited to suspension of their claims). The court may refuse ratification if the conditions of the judicial restructuring act were not met, or if the proposed restructuring plan violates public policy.

Within a period of 14 days following the judgment opening the judicial restructuring proceedings, the debtor must inform each of its creditors individually of the amount of its claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the restructuring procedure, or definitively, on the condition that it has jurisdiction in that respect but that the decision relating to the dispute cannot be taken in a sufficiently short time frame. In addition, the court can, upon joint request by the debtor and the creditor, change the amount and the ranking of the claim initially declared by the debtor at the latest 15 days before the date on which the creditors will vote on the reorganization plan. If a creditor has not challenged the amount and the ranking of its claim at least 14 days in advance of the date on which the creditors will vote on the approval of the reorganization plan, the amount of its claim will remain unchanged for voting purposes as well as for the purposes of the reorganization plan.

The debtor must use the moratorium period to complete and finalize a restructuring plan, with the assistance of the court appointed judicial administrator (*gerechtsmandataris/mandataire de justice*), as the case may be. The court-ordered transfer will be organized by one or more judicial administrators. Following the transfer, the recourse of the creditors will in most cases be limited to the transfer price. The court ordered transfer of all or part of the company's enterprise can be requested by the company in its petition or at a later stage in the procedure. It can also be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court

can order such transfer in specific circumstances. The court-ordered transfer will be organized by one or more judicial administrators. Following the transfer, the recourse of the creditors will in most cases be limited to the transfer price.

The Bankruptcy

A bankruptcy procedure may be initiated by the debtor, by unpaid creditors or upon the initiative of the Public Prosecutor's office, or the provisional administrator of the merchant's assets or the liquidator of "main insolvency proceedings" opened in another EU member state (except Denmark) according to the EU Insolvency Regulation.

Conditions for a bankruptcy order (*déclaration de faillite/aangifte van faillissement*) are that the debtor must be in a situation of cessation of payments (*cessation de paiements/staking van betaling*) and be unable to obtain further credit (*ébranlement de crédit/wiens krediet geschokt is*). Cessation of payments is generally considered as the inability of the debtor to pay its debts as they fall due. Such situation must be persistent and not merely temporary. In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy receiver (*curateur/curator*) becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver.

The bankruptcy receiver must decide whether or not to temporarily continue performance under ongoing contracts (i.e., contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply:

- (a) the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an automatic early termination or acceleration event; and
- (b) *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment, since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The bankruptcy receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy if such decision is necessary for the management and liquidation of the bankrupt estate. The counterparty to that agreement may make a claim for damages in the bankruptcy (and such claim will rank *pari passu* with claims of all other unsecured creditors) and/or seek a court order to have the relevant contract dissolved. The counterparty may not seek injunctive relief or require specific performance of the contract.

The enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy trustee may proceed against the debtor and liquidate its assets. Once the bankruptcy proceedings are closed, all creditors regain their individual enforcement rights.

For creditors with claims secured by movable assets, such suspension would normally be limited to the period required for the first report of verification of the claims. At the request of the bankruptcy receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court, which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors but without prejudicing the secured creditors, and provided that those secured creditors have been given the opportunity to be heard by the court. However, a pledge on financial instruments or cash held on accounts falling within the scope of the Belgian Collateral Act can be enforced during the suspension period.

For creditors with claims secured by immovable assets, the intervention of the bankruptcy receiver is necessary to pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the first report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee, provided that the mortgagee has been given the opportunity to be heard by the court. As from the date of the bankruptcy

judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, like tax administration or social security.

The debts of the bankrupt estate generally will be ranked as to priority on the basis of complex rules. The following is a general overview of such rules:

- (a) estate debt: Costs and indebtedness incurred by the receiver during the bankruptcy proceedings, the so-called “estate debts,” have a senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors;
- (b) security interests: Creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization);
- (c) privileges: Creditors may have a particular privilege on certain or all assets (e.g., tax claims, claims for social security premiums, etc.). Privileges on specific assets rank before privileges on all assets of the debtor; and
- (d) *pari passu*: Once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the receiver among the unsecured creditors who rank *pari passu* (unless a creditor agreed to be subordinated).

Suspect Period

Under Belgian law the hardening or suspect period is the period between the date of cessation of payments by the bankrupt party until the date of the bankruptcy judgment. In principle, a debtor is deemed to have stopped paying its debts as of the date of the bankruptcy judgment. However, if there are serious and objective circumstances indicating that the debtor has actually stopped paying its debts before the date of the bankruptcy judgment, the court can determine a “suspect period” which may at the maximum go back six months prior to the date of bankruptcy judgment (or such longer period as may be determined by the Court if the company was already in liquidation before its bankruptcy).

Transactions within the “Suspect Period”

The Bankruptcy Act contains voidable preference rules that challenge certain actions made by or with a bankruptcy debtor during the suspect period (*verdachte periode/période suspecte*). The following actions and payments are caught by the voidable preference rules:

- (1) The non-enforceability (*niet-tegenwerpelijk aan derden/non opposable aux tiers*) laid down by Article 17 of the Bankruptcy Act is compulsory. As a result, the judge is obliged to declare certain transactions as non-enforceable as against the bankruptcy estate.

These are:

- i. any transfer of movable or immovable property without consideration, or equivalent transactions (settlement of a debt without consideration, offering to be a guarantor of debt without consideration, etc.) (Art. 17, 1° of the Bankruptcy Act);
 - ii. any contract against consideration if the value of what is transferred by the bankrupt trader significantly exceeds the value of what he receives in return (Art. 17, 1° of the Bankruptcy Act);
 - iii. any repayments, in money or otherwise, of debts that are not yet due: this includes the delivery of goods by the trader prior to the delivery date (Art. 17, 2° of the Bankruptcy Act);
 - iv. any repayments of mature debts other than (i) in money or (ii) by way of negotiable instruments or (iii) contractual payments modes (Art. 17, 2° of the Bankruptcy Act); or
 - v. the grant of mortgages or security interests on goods of the bankrupt trader for debts previously incurred.
- (2) In addition, acts that are not listed in Article 17 of the Bankruptcy Act may be held non-enforceable (*niet-tegenwerpelijk aan derden/non opposable aux tiers*) only if the trustee demonstrates that the following three conditions are satisfied:
 - i. the acts took place during the hardening period;

- ii. the third party who dealt with the bankrupt company was aware of the cessation of payments—mere knowledge by the third party is sufficient and it is not necessary to provide evidence of bad faith on the third party's part; and
- iii. the acts are detrimental to the property of the bankrupt company (Article 18 of the Bankruptcy Act).

Transactions beyond the “Suspect Period”

Pursuant to Article 1167 of the Belgian Civil Code, creditors of a Belgian company may initiate on their own behalf a claim against acts of the company performed with fraudulent intent (fraudulent conveyance (*actio pauliana*)). In order to be able to succeed such claim:

- i. the creditor should have a claim existing prior to the transaction;
- ii. the transaction challenged by the creditor should have led to the impoverishment of the Belgian company;
- iii. the Belgian company should have acted with fraudulent intent (creation of insolvency); and
- iv. the counterparty should have been aware of the fraudulent intent of the Belgian company.

In the event the claim succeeds, the transaction will not be enforceable vis-à-vis such creditor. The creditor may therefore act as if the transaction did not take place.

In addition pursuant to Article 20 of the Bankruptcy Act, the trustee can lodge a claim for fraudulent conveyance under less stringent conditions than the *actio pauliana*, with far reaching consequences, i.e., non-enforceability of the transaction. Any acts performed or payments made with the fraudulent intent to prejudice the creditors of the bankrupt are not enforceable vis-à-vis the bankruptcy estate, regardless of the date of performance. In order to succeed such claim the bankruptcy receiver needs to prove that:

- i. the transaction was detrimental to the creditors of the bankrupt. The terms “detrimental to the creditors” are very broadly interpreted; and
- ii. an act of fraud of the bankrupt. Fraud is deemed to exist, for instance, if the act performed, taking all circumstances into account, is extraordinary and the debtor was aware that the act was to the detriment of the (other) creditors.

Grace Periods

In addition enforcement rights may, like those of any other creditor, be subject to Article 1244 of the Belgian Civil Code.

Pursuant to the provisions of these articles, Belgian courts may, in any civil proceeding involving a debtor, defer or otherwise reasonably reschedule the payment dates of payment obligations. Belgian courts can also decide that the interest rate applicable be reduced if it is considered to exceed the normal rate applicable to similar debts.

Limitations on Enforcement

When a guarantee or collateral securing the obligations of a third party (such as a group company) is granted by a Belgian Guarantor, the following issues should be taken into account: (i) the legal purpose; (ii) the corporate purpose and (iii) the corporate interest of such Belgian Guarantor.

The capacity of all Belgian commercial entities is limited by their legal purpose. The legal purpose of commercial companies is the pursuit of profit. Commercial companies shall therefore not enter into transactions unless there is a certain direct or indirect economic benefit. Transactions which do not meet this legal purpose test can be declared null and void.

In addition, transactions entered into by a Belgian entity should also fall within the corporate purpose of the company. The corporate purpose of a Belgian company is stated in its articles of association. The corporate purpose of the company should allow the granting of security rights to secure the obligations of group companies or third parties. In principle, a limited liability company under the form of a NV/SA or BVBA/SPRL will be bound by transactions entered into by it even if such transactions fall outside the scope of its corporate purpose. However, if it is established that the contracting party knew or should have

known that the transaction was contrary to the corporate purpose, the company may claim not to be bound by the transaction.

Further, under Belgian company law, any transaction entered into by a Belgian company must be in its corporate interest, which in practice means that there must be a corporate benefit for the company. The assessment of whether or not the grant of a guarantee or security interest is in a Belgian Guarantor's own corporate interest largely depends on factual considerations and is to be determined on a case-by-case basis by the board of directors or manager(s) of such Belgian Guarantor and can ultimately be reviewed on a case-by-case basis by the competent courts. Consideration should be given to any actual or real benefit that such Belgian Guarantor would derive from the transaction; this is particularly relevant for upstream or cross-stream guarantees and security interests. It is generally considered by legal scholars that the risk taken by the Belgian Guarantor in granting the guarantee or granting collateral may not be disproportional to the direct and/or indirect benefit derived from the transaction. The responsibility for such assessment lies with the board of directors or manager(s) of such Belgian Guarantor.

If the corporate interest requirement is not met, the board of directors or manager(s) of the Belgian Guarantor may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee or collateral may be declared null and void. A transaction carried out contrary to the interests of the company might also be challenged on the basis of general principles of law, such as failure to perform in good faith, abuse of majority, abuse of power/rights, etc. Under certain circumstances, the beneficiary of the guarantee or collateral may also be held liable on the basis of the principles of tort liability. Alternatively, the guarantee or security interest could be reduced to an amount corresponding to the corporate benefit and, under certain circumstances, the creditor could be held liable on the basis of the principles of tort liability for any guarantee amount in excess of such amount. These rules have however seldom been tested under Belgian law, and there is only limited case law on this issue.

In view of the proportionality test of the corporate benefit assessment, it is standard market practice for indentures, credit agreements, guarantees and security documents to include so-called "limitation language" in relation to subsidiaries incorporated or having their main establishment (*voornaamste vestiging / établissement principal*) in Belgium. The total maximum guarantee liabilities of the Belgian Guarantor in relation to all Security Documents will be limited to the highest of:

- (i) an amount equal to 90% of the Belgian Guarantor's net assets (*netto actief / actif net*) (as determined in accordance with Article 617 or Article 320, as the case may be, of the Belgian Companies Code and the Belgian accounting laws, but not taking intra-group debts into account as debts) as shown by its most recent audited annual financial statements at the original signing date of the Intercreditor Agreement;
- (ii) an amount equal to 90% of the Belgian Guarantor's net assets (*netto actief / actif net*) (as determined in accordance with Article 617 or Article 320, as the case may be, of the Belgian Companies Code and the Belgian accounting laws, but not taking intra-group debts into account as debts) as shown by its most recent audited annual financial statements on the date on which a demand is made on one or more guarantees granted by the Belgian Guarantor under the relevant Security Documents; and
- (iii) the aggregate amount outstanding on the date on which the relevant demand is made of:
 - a. the principal amount made available directly to the Belgian Guarantor and its subsidiaries from the proceeds of the Notes and the facilities made available under the Revolving Credit Facility Agreement; and
 - b. the aggregate amount of any intragroup loans or facilities made to the Belgian Guarantor and its subsidiaries by any group company directly and/or indirectly using all or part of the proceeds of the Notes and/or the facilities made available under the Revolving Credit Facility Agreement.

For the purpose of this section relating to the guarantees that will be granted by the Belgian Guarantor, "Security Documents" means the Revolving Credit Facility Agreement, the relevant Indentures, the hedging agreements and any other related agreement having the benefit of a guarantee or security granted by the Belgian Guarantor.

In addition, any guarantee granted by the Belgian Guarantor shall not include any liability which would constitute unlawful financial assistance, as determined under article 329 or 629, as the case may be, of the Belgian Companies Code.

Under Belgian law, certain “accessory” security interests such as rights of pledge require that the pledgee and the creditor are the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. The beneficial holders of interests in the Notes from time to time will not be parties to the Security Documents. In order to permit the beneficial holders of the Notes to benefit from a secured claim, the Intercreditor Agreement will provide for the creation of “parallel debt” obligations in favor of the Security Agent (“*Parallel Debt*”) mirroring the obligations of the Issuers and the Guarantors (as principal obligors) towards the holders of the Notes under or in connection with the Indenture (the “*Principal Obligations*”). The Parallel Debt will at all times be in the same amount and payable at the same time as the Principal Obligations. Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Pursuant to the Parallel Debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by Belgian law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the collateral. The holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent (even if they are in some instances direct beneficiaries of the security interests in the Collateral).

Although the Parallel Debt mechanism has become standard practice in Belgium for transactions of this nature, none of the Parallel Debt and trust mechanism constructs have been generally recognized by Belgian courts and to the extent that the Notes or security interests created under the Parallel Debt and/or trust constructs are successfully challenged by other parties, holders of the Notes will not receive any proceeds from an enforcement of the Guarantees or security interests in the collateral. In addition, the holders of the Notes will bear the risks associated with the possible insolvency or bankruptcy of the Security Agent.

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

However, pledge agreements over financial collateral (such as shares of Belgian companies or bank accounts) may be entered into with a representative of holders of the Notes having the right to enforce the pledge on behalf of the holders of the Notes, provided that the holders of the Notes can be identified on enforcement.

Financial Assistance

Any guarantees or security interests granted by a Belgian Guarantor which constitute a breach of the provisions on financial assistance as defined by article 329 and 629 of the Belgian Companies Code might not be enforceable.

Recognition and enforcement

The granting of security interests over movable or immovable, tangible or intangible, assets may be subject to validity and/or enforceability conditions. The breach of any of such conditions may render such security interests invalid or unenforceable. The foreclosure of security interests may be subject to formalities (e.g. judicial or non-judicial consent) and may be time consuming in the event that the foreclosure takes place under judicial control or in the event of a legal dispute. Courts may condition the enforcement of a security interest and/or guarantee upon the evidence that the creditor has a final and undisputed claim triggering the foreclosure of the security interest and/or guarantee. Enforcement of security interests and/or guarantees may be hindered by conflict of law and/or conflict of jurisdiction issues and may not breach any public policy provision and/or mandatory legal provisions. Courts may require a sworn translation in French or Dutch of the English documents which they may review.

Luxembourg

Limitation on Validity and Enforcement of the Notes Guarantees and Security Interests

The granting of security interests over movable or immovable, tangible or intangible, assets may be subject to validity and/or enforceability conditions. The breach of any of such conditions may render such security interests invalid or unenforceable. The foreclosure of security interests may be subject to formalities

(e.g., judicial or non-judicial consent) and may be time-consuming in the event that the foreclosure takes place under judicial control or in the event of a legal dispute. Courts may condition the enforcement of a security interest and/or guarantee upon the evidence that the creditor has a final and undisputed claim triggering the foreclosure of the security interest and/or guarantee. Enforcement of security interests and/or guarantees may be hindered by conflict of law and/or conflict of jurisdiction issues and may not breach any public policy provision and/or mandatory legal provisions. Case law on security interests over intellectual property rights is very limited.

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 is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as bank accounts held with a Luxembourg bank.

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 shares, bank accounts 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. A bank account pledge agreement must be notified to and accepted by the account bank. In addition, the account bank has to waive any pre-existing security interests and other rights in respect of the relevant account. If (future) bank accounts are pledged, the perfection of such pledge will require additional notification to, acceptance and waiver by the account bank. Until such registrations, notifications and acceptances occur, the pledge agreements are not effective and perfected against the debtors, the account banks and other third parties. Article 11 of the Luxembourg Collateral Law sets out enforcement remedies available upon the occurrence of an enforcement event, including, but not limited to:

- direct appropriation or appropriation by a third party of the pledged assets at (i) a value determined in accordance with a valuation method agreed upon by the parties or (ii) the listing price of the pledged assets;
- sale of the pledged assets (i) in a private transaction at commercially reasonable terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange or (iii) by way of a public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Luxembourg Collateral Law does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses and (iv) the possible need to involve third parties, such as, e.g., courts, stock exchanges and appraisers, the enforcement of the security interests might be substantially delayed.

The perfection of the security interests created pursuant to pledge agreements does not prevent any third-party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgors through court proceedings, although the beneficiaries of the pledges will in principle remain entitled to priority over the proceeds of such sale (subject to preferred rights by operation of law).

Under Luxembourg law, certain creditors of an insolvent party have rights to preferred payments arising by operation of law, some of which may, under certain circumstances, supersede the rights to payment of secured or unsecured creditors, and most of which are undisclosed preferences (*privilèges occultes*). This includes, in particular, the rights relating to fees and costs of the insolvency official as well as any legal costs, the rights of employees to certain amounts of salary, and the rights of the Treasury and certain assimilated parties (namely social security bodies), which preferences may extend to all or part of the assets of the insolvent party. This general privilege takes in principle precedence over the privilege of a pledgee in respect of pledged assets. Finally, the appointment of a foreign security agent will be recognized under Luxembourg law, (i) to the extent that the designation is valid under the law governing such appointment and (ii) subject to possible restrictions.

Registration in Luxembourg

The registration of the Notes, the Security Documents and the Indentures (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 in the case that the Notes, the Security Documents and the Indentures (and any other document in connection therewith) must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an *ad valorem* duty (or, 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 Documents that are subject to the Luxembourg Collateral law.

The Luxembourg courts or the official Luxembourg authority may require that the Notes, the Security Documents, the Indentures (and any other document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

PLAN OF DISTRIBUTION

The Issuers have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuers, the entire principal amount of the Notes. The sale will be made pursuant to a Purchase Agreement between the Issuers, the Guarantors and Credit Suisse Securities (Europe) Limited as representative of the several Initial Purchasers (the “*Purchase Agreement*”). The Initial Purchasers are Credit Suisse Securities (Europe) Limited, ABN AMRO Bank N.V., BNP Paribas, Citigroup Global Markets Limited, J.P. Morgan Securities plc and The Royal Bank of Scotland plc.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuers, are several and not joint.

The Initial Purchasers initially propose to offer the Notes for resale at the issue prices that appears on the cover of this offering memorandum. The Initial Purchasers may change the prices at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates, including in respect of sales into the United States.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchaser may be increased or, in some cases, the offering may be terminated.

The Purchase Agreement provides that the Issuers will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Issuers and the Company have agreed, subject to certain limited exceptions, that during the period from the date the Purchase Agreement is executed through and including the date that is 90 days after the date the Purchase Agreement is executed, to not, and to cause the Company’s subsidiaries to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by us or any of our subsidiaries and having a tenor of more than one year other than the Notes, the Notes Guarantees and the Revolving Credit Facility.

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and in offshore transactions outside the United States in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Notice to Investors*.”

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers or any Guarantor; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuers or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See “*Notice to Investors*.”

The Issuers and the Guarantors have also agreed that none of the Issuers or Guarantors will at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

Any Initial Purchaser that is not a registered broker-dealer in the United States shall, to the extent that it intends to effect any offers or sales of Notes in the U.S. or to U.S. persons, do so through an affiliate or any other U.S. registered broker-dealers pursuant to applicable U.S. securities laws.

The Notes are a new issue of securities for which there currently is no market. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF Market thereof. The Issuers cannot assure you, however, that such listing will be approved.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, the Issuers cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price that will be favorable to you.

Buyers of the Notes sold by the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the initial offering price set out on the cover of this offering memorandum.

The Initial Purchasers may engage in overallotment, stabilizing transactions, covering transactions and penalty bids in accordance with applicable laws and regulations. Overallotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the offering, the Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Manager may also overallot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See *“Risk Factors—Risks Related to Our Structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.”*

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In the ordinary course of their various business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt security and financial instruments for their own accounts and for the accounts of their customers. Such investment and security activities may involve our security and instruments. The Initial Purchasers and their affiliates may also

make investment recommendations or publish or express independent research views in respect of such securities or instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments. Certain of the Initial Purchasers or their respective affiliates that have a lending relationship with us may hedge their credit exposure to us consistent with their customary risk management policies.

The proceeds of this offering will be used to refinance the Existing Credit Facilities and, as a result, certain of the Initial Purchasers will receive proceeds from the issuance of the Notes in their capacity as lenders. Certain of the Initial Purchasers or their respective affiliates are arrangers, lenders, facility agent or security agent in connection with our Revolving Credit Facility and will receive customary fees in such capacities. In addition, one of the Initial Purchasers is acting as initial purchaser for the offering of the Senior PIK Notes (see “*Description of Other Indebtedness—Senior PIK Notes*”).

The Issuers expect that the delivery of the Notes will be made against payment therefor on the date specified on the cover page of this offering memorandum, which will be the fifth business day following the date of pricing of the Notes (such settlement cycle being herein referred to as “T+5”). Under Rule 15c6-1 under the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding two business days should consult their advisors.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or the applicable securities laws of any other jurisdiction. Accordingly, the Notes (including the Notes Guarantees) offered hereby are being offered and sold only to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Notes (including the Notes Guarantees) within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of the Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

- (1) It understands and acknowledges that the Notes and the Notes Guarantees have not been registered under the U.S. Securities Act or any other securities laws; are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any state securities law, including sales pursuant to Rule 144A; and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
- (2) It is not an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of the Issuers or acting on behalf of the Issuers and it is either:
 - (i) a qualified institutional buyer and is aware that any sale of the Notes to it will be made in reliance on Rule 144A and the acquisition of the Notes will be for its own account or for the account of another qualified institutional buyer; or
 - (ii) purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.
- (3) It acknowledges that neither the Issuers nor any of the Guarantors or the Initial Purchasers, nor any person representing us or the Initial Purchasers, has made any representation to it with respect to the Issuers or the offering or sale of any Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum. It also acknowledges that 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 any of the Notes, including an opportunity to ask questions of, and request information from, the Issuers, the Guarantors and the Initial Purchasers.
- (4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any securities laws of any other jurisdiction, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.
- (5) Each holder of the Notes sold in reliance on Rule 144A (the “144A Notes” and each a “144A Note”) agrees on its own behalf and on behalf of any investor account for which it is purchasing the 144A Notes, and each subsequent holder of the 144A Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the “Resale Restriction

Termination Date”) that is one year after the later of the date of the Issue Date and the last date on which the Issuers or any of their affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuers, the Guarantors or any subsidiary thereof; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the 144A Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act; (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws and any applicable local laws and regulations, and further subject to the Issuers’ and the Trustee’s rights prior to any such offer, sale or transfer (I) pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each 144A Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT (“RULE 144A”)), OR (B) IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 144A OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT (“REGULATION S”), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS ONE YEAR 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 THIS SECURITY) ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARIES THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT 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 THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE

OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES," HAVE THE MEANING GIVEN TO THEM BY REGULATION S.

A purchaser of the 144A Notes will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in such Notes as well as to holders of such Notes.

- (6) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.
- (7) It acknowledges that the transfer agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth therein have been complied with.
- (8) It acknowledges that the Issuers, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.
- (9) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuers or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set out under the caption "*Plan of Distribution*."

LEGAL MATTERS

Certain legal matters relating to the validity of the Notes and the Notes Guarantees offered hereby will be passed upon for the Issuers and the Guarantors by Cravath, Swaine & Moore LLP, with respect to U.S. federal and New York state law; by NautaDutilh N.V., with respect to Dutch law; NautaDutilh BVBA/SPRL, with respect to Belgian law; and NautaDutilh Avocats Luxembourg, with respect to Luxembourg law. Certain legal matters in connection with the offering will be passed upon for the Initial Purchasers by Shearman & Sterling LLP, with respect to U.S. federal, New York and English law; by Van Doorne N.V., with respect to Dutch law; by Altius, with respect to Belgian law; and Arendt & Medernach, with respect to Luxembourg law.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as at each of January 29, 2012, February 3, 2013 and February 2, 2014, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers Accountants N.V., with business address at Fascinatio Boulevard 350, 3065 WB Rotterdam, the Netherlands, as stated in their reports appearing in this offering memorandum. The PricewaterhouseCoopers Accountants N.V. audit partner signing the accounts is registered with the Dutch Organization of Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

WHERE TO FIND ADDITIONAL INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the Initial Purchasers by us for such purpose, any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this 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 the Issuers or the Initial Purchasers.

Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum may make a written request to receive a copy of the Intercreditor Agreement. Moreover, for so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) of the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to the Listing Agent. All the above documents will be available at the offices of the Listing Agent.

Information contained on any of the Company’s websites (www.hema.nl, www.hemashop.com, www.hema.be and www.hema.fr, among others) is not incorporated by reference into this offering memorandum and is not part of this offering memorandum.

The Issuers and the Company are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. Pursuant to the Indentures and so long as the Notes are outstanding, the Company will furnish periodic information to holders of the Notes. See “*Description of the Senior Secured Notes—Certain Covenants—Reports*,” and “*Description of the Senior Notes—Certain Covenants—Reports*.” If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market thereof and the rules of that exchange so require, copies of such information, the organizational documents of the Issuer and the Guarantors, our most recent audited consolidated financial statements, the Indentures (which includes the Notes Guarantees and the form of the Notes) and the Intercreditor Agreement will be available for review during the normal business hours on any business day at the office of the Listing Agent.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company and the Issuers are private limited liability companies (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands and their registered offices are in the Netherlands. The Guarantors are incorporated in and have their respective principal executive offices in the Netherlands and Belgium. The security documents relating to the Collateral will be governed by the laws of each of these jurisdictions. The Indentures (including the Notes Guarantees) and the Notes will be governed by New York law. The Intercreditor Agreement will be governed by the laws of England and Wales. All of the directors and executive officers of the Issuers and the Guarantors are non-residents of the United States. Since substantially all of the assets of the Issuers and the Guarantors, and their respective directors and executive officers, are located outside the United States, any judgment obtained in the United States against the Issuers or the Guarantors or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although the Issuers and each of the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the Indentures or under U.S. securities laws, it may not be possible for investors to effect service of process on us or such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws.

If a judgment is obtained in a U.S. court against any of the Issuers or the Guarantors or a security provider, investors will need to enforce such judgment in jurisdictions where the relevant company has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for the countries in which each of the Issuers and the Guarantors is located (other than the United States), you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere in the United States.

The Netherlands

In the absence of an applicable treaty between the United States and the Netherlands, a judgment obtained against the Issuers and Guarantors 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. No assurance however, can be given that those judgments will be enforceable. There is doubt as to whether courts of the Netherlands will uphold judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state within the United States. 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 laws.

According to Dutch law, a legal or natural person is upon certain conditions entitled to elect a domicile which is different from its physical or real domicile. However, our Dutch counsel is not aware of any statutory or case law confirming that the principle referred to in the foregoing sentence also includes the ability to validly elect a domicile outside the Netherlands for service of process purposes. Therefore, our Dutch counsel recommends that, in the event of initiating legal proceedings against a party domiciled or residing in the Netherlands, service of process is also effected upon it at its domicile or residence in the Netherlands.

Pursuant to the provisions of the European Regulation 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters and, in respect of legal proceedings instituted and court settlements approved or concluded before a court in a European Member State on or after January 10, 2015, pursuant to the provisions of the European Regulation (EU)

No 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, the recognition and enforcement of foreign judgments is subject in Belgium to a light procedure when the judgment has been taken by a court in a European Member State. A U.S. decision would be recognised and enforced by the courts of Belgium following the procedure specified in Article 22 and followings of the law of July 16, 2004 which implements the Code of International Private Law (*Wetboek van Internationaal Privaatrecht/Code de droit international privé*) (the “*Code of International Private Law*”) (exequatur). Under this procedure, the case is not heard again or revised on the merits in Belgium.

Under the Code of International Private Law, a judgment will not be recognized nor enforced by Belgian courts if: (a) the recognition or enforcement of the judgment is manifestly contrary to the rules of Belgian public order; (b) the rights of defense have been violated; (c) the judgment has been obtained in a field in which the parties cannot freely dispose of their rights, solely with a view to escape the application of the law indicated by the Code of International Private Law; (d) the judgment can still be appealed under the laws of the country in which it has been given; (e) the judgment is irreconcilable with a previously rendered decision in Belgium or a previously decision rendered abroad which can be recognized in Belgium; (f) an action between the same parties and in relation to the same matter filed with the Belgian court before it was filed abroad is still pending in Belgium; (g) Belgian courts are the only courts competent to judge the case; (h) the competence of the foreign court was based only on the presence of the defendant or of goods not having a direct connection with the case in the country where the foreign court was located; or (i) the recognition or enforcement goes against any other reasons of refusal of recognition or enforcement designated in the Code of International Private Law.

Pursuant to the Belgian Code of civil procedure, the procedure is introduced at the request of the interested party in front of the court of first instance. Pursuant to Article 24 of the Code of International Private Law, the following documents are produced in court by the claimant seeking enforcement: (a) an official copy of the judgment (*uitgifte van de beslissing/expédition de la décision*) fulfilling all conditions required for its authentication under the applicable foreign law; (b) if obtained by default, an original or legalized copy of the document demonstrating that the originating process has been served on the defendant in accordance with the applicable foreign law; and (c) any document demonstrating that, under the applicable foreign law, the judgment is enforceable and has been notified to the defendant.

The procedure is essentially a written procedure even if the judge can decide to hear the party submitting the request. If the judge agrees on the enforcement, he grants the exequatur in a decision. This decision must be notified by writ upon the party against which enforcement is sought which has one month to file opposition proceedings before the same court. If the exequatur is refused, the applicant has one month as of the notification of the decision to file an appeal before the court of appeal. No enforcement can be made of the exequatur decision during the appeal procedure.

Belgium

Pursuant to the provisions of the European Regulation 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters and, in respect of legal proceedings instituted and court settlements approved or concluded before a court in a European Member State on or after January 10, 2015, pursuant to the provisions of the European Regulation (EU) No 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, the recognition and enforcement of foreign judgments is subject in Belgium to a light procedure when the judgment has been taken by a court in a European Member State. A U.S. decision would be recognized and enforced by the courts of Belgium following the procedure specified in Article 22 and followings of the law of July 16, 2004 which implements the Code of International Private Law (*Wetboek van Internationaal Privaatrecht/Code de droit international privé*) (the “*Code of International Private Law*”) (exequatur). Under this procedure, the case is not heard again or revised on the merits in Belgium.

Under the Code of International Private Law, a judgment will not be recognized nor enforced by Belgian courts if: (a) the recognition or enforcement of the judgment is manifestly contrary to the rules of Belgian public order; (b) the rights of defense have been violated; (c) the judgment has been obtained in a field in which the parties cannot freely dispose of their rights, solely with a view to escape the application of the law indicated by the Code of International Private Law; (d) the judgment can still be appealed under the laws of the country in which it has been given; (e) the judgment is irreconcilable with a previously rendered decision in Belgium or a previously decision rendered abroad which can be recognized in Belgium; (f) an action between the same parties and in relation to the same matter filed with the Belgian court before it

was filed abroad is still pending in Belgium; (g) Belgian courts are the only courts competent to judge the case; (h) the competence of the foreign court was based only on the presence of the defendant or of goods not having a direct connection with the case in the country where the foreign court was located or (i) the recognition or enforcement goes against any other reasons of refusal of recognition or enforcement designated in the Code of International Private Law.

Pursuant to the Belgian Code of civil procedure, the procedure is introduced at the request of the interested party in front of the court of first instance. Pursuant to Article 24 of the Code of International Private Law, the following documents are produced in court by the claimant seeking enforcement: (a) an official copy of the judgment (*uitgifte van de beslissing/expédition de la décision*) fulfilling all conditions required for its authentication under the applicable foreign law; (b) if obtained by default, an original or legalized copy of the document demonstrating that the originating process has been served on the defendant in accordance with the applicable foreign law and (c) any document demonstrating that, under the applicable foreign law, the judgment is enforceable and has been notified to the defendant.

The procedure is essentially a written procedure even if the judge can decide to hear the party submitting the request. If the judge agrees on the enforcement, he grants the exequatur in a decision. This decision must be notified by writ upon the party against which enforcement is sought which has one month to file opposition proceedings before the same court. If the exequatur is refused, the applicant has one month as of the notification of the decision to file an appeal before the court of appeal. No enforcement can be made of the exequatur decision during the appeal procedure.

LISTING AND GENERAL INFORMATION

Listing Information

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market in accordance with the rules of that exchange. There are no assurances that the Notes will be admitted to the Official List of the Luxembourg Stock Exchange. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and to the extent required by the Luxembourg Stock Exchange, notice of any change of control, change in the rate of interest payable on the Notes or early redemption of the Notes will be published 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 the Luxembourg Stock Exchange, on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

If and for so long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange and the rules of the exchange so require, copies of the following documents (together with English translations thereof, as applicable) may be inspected and obtained by holders at the specified office of the listing agent in Luxembourg, free of charge, during normal business hours on any weekday:

- the organizational documents of the Issuers;
- the organizational documents of each of the Guarantors;
- the Indentures (which includes the form of the Notes);
- the Intercreditor Agreement and the Security Documents;
- the audited consolidated financial statements of the Company as of and for Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, and the revised balance sheet of the Issuers as of June 17, 2014; and
- future annual audited consolidated financial statements for the Company and annual revised standalone financial statements for the Issuers.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum.

Except as disclosed herein, there has been no material adverse change in the Issuers' or the Company's prospects or consolidated financial or trading position since February 2, 2014.

Neither we nor any of our subsidiaries is a party to any litigation that, in our judgment, is material in the context of the issue of the Notes, except as disclosed herein.

The Issuers will maintain a paying agent and transfer agent in London if and for as long as any of the Notes are listed on the Euro MTF Market to make payments on, when applicable, and transfers of the Notes. The Issuers reserve the right to vary such appointment and to the extent required by the Luxembourg Stock Exchange, it 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 manner permitted by the Luxembourg Stock Exchange, on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

This Offering Memorandum constitutes a Prospectus for the purpose of the Luxembourg law dated July 10, 2005 on prospectuses for securities, as amended. It may only be used for the purposes for which it has been published.

Clearing Information

The Notes have been accepted for clearing and settlement through the facilities of Euroclear and Clearstream Banking. Payments relating to the Notes will be made through the clearing systems. Certain trading information with respect to the Notes is set out below.

Senior Secured Floating Rate Notes

	ISIN	Common Codes
Rule 144A Global Note	XS1075852571	107585257
Regulation S Global Note	XS1075799319	107579931

Senior Secured Fixed Rate Notes

	ISIN	Common Codes
Rule 144A Global Note	XS1075853207	107585320
Regulation S Global Note	XS1075833860	107583386

Senior Notes

	ISIN	Common Codes
Rule 144A Global Note	XS1075853629	107585362
Regulation S Global Note	XS1075845526	107584552

Issuers' Legal Information

HEMA Bondco I B.V. was incorporated on May 23, 2014, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands, with its principal executive offices at NDSM-straat 10, 1033 SB, Amsterdam, the Netherlands, and is registered with the Dutch Commercial Register under number 60748656.

HEMA Bondco II B.V. was incorporated on May 23, 2014, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands, with its principal executive offices at NDSM-straat 10, 1033 SB, Amsterdam, the Netherlands, and is registered with the Dutch Commercial Register under number 60749512.

The Issuers are indirect wholly-owned subsidiaries of Dutch Lion Cooperatief U.A. The Issuers are finance subsidiaries of the Parent with no revenue-generating business operations or significant assets other than their interests in the Notes Proceeds Loans, and no indebtedness other than the Notes.

Each Issuer has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes were authorized by each Issuer's Management Board dated June 6, 2014.

Guarantors' Legal Information

Below is a summary of the main information regarding the Guarantors.

HEMA B.V., was incorporated on November 4, 2004, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands and with its principal executive offices at NDSM-straat 10, 1033 SB Amsterdam, the Netherlands. HEMA B.V. is registered with the Dutch Commercial Register under number 34215639, and is primarily engaged with carrying out the business of the group in the Netherlands and managing its subsidiaries.

HEMA Bakkerijen B.V., was incorporated on January 12, 1956, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands and with its principal executive offices at NDSM-straat 10, 1033 SB Amsterdam, the Netherlands. HEMA Bakkerijen B.V. is registered with the Dutch Commercial Register under number 33164508, and is primarily engaged with carrying out the bakery business of the group.

HEMA Financial Services B.V., was incorporated on April 7, 1970, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands and with its principal executive offices at NDSM-straat 10, 1033 SB Amsterdam, the Netherlands. HEMA Financial Services B.V. is registered with the Dutch Commercial Register under number 30076044, and is primarily engaged with carrying out the financial service business of the group, such as the intermediation of Insurances to our customers.

HEMA-België B.V., was incorporated on August 17, 1960, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands

and with its principal executive offices at Alsebergsesteenweg 757, B-1180 Ukkel, Belgium. HEMA-België B.V. is registered with the Dutch Commercial Register under number 33010520 and with the Belgium Crossroadbank for Companies under number 0460.370.809, and is primarily engaged with carrying out the business of the group in Belgium and Luxembourg.

HEMA Duitsland B.V., was incorporated on September 12, 2002, as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) organized and established under the laws of the Netherlands and with its principal executive offices at NDSM-straat 10, 1033 SB Amsterdam, the Netherlands. HEMA Duitsland B.V. is registered with the Dutch Commercial Register under number 34179083, and is primarily engaged with carrying out the business of the group in Germany.

The execution of the documents related to this offering, including the provision of guarantees, was authorized by the Guarantors' respective corporate bodies on June 6, 2014.

Financial Year and Accounts

We will prepare and publish annual audited consolidated financial statements for the Company and annual revised standalone financial statements for the Issuers. Any future published financial statements prepared by the Company will be available, free of charge, during normal business hours at the executive offices of the Company.

See the annexes to this offering memorandum for the audited consolidated financial statements of the Company as of and for Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013, and for the revised balance sheet of the Issuers as of June 17, 2014.

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
<i>Audited consolidated financial statements of the Company as of and for the 52 weeks ended</i>	
<i>February 2, 2014</i>	
Consolidated Income Statement	F-3
Consolidated Statement of Comprehensive Income	F-4
Consolidated Statement of Financial Position	F-5
Consolidated Statement of Changes in Equity	F-6
Consolidated Statement of Cash Flow	F-7
Consolidated Shareholder Funding	F-8
Notes to the Consolidated Financial Statements	F-9
Independent Auditor's Report	F-47
Statutory Appropriation of the Result	F-49
<i>Audited consolidated financial statements of the Company as of and for the 53 weeks ended</i>	
<i>February 3, 2013</i>	
Consolidated Income Statement	F-51
Consolidated Statement of Comprehensive Income	F-52
Consolidated Balance Sheet	F-53
Consolidated Statement of Changes in Equity	F-54
Consolidated Statement of Cash Flow	F-55
Consolidated Shareholder Funding	F-56
Notes to the Consolidated Financial Statements	F-57
Independent Auditor's Report	F-94
Statutory Appropriation of the Result	F-96
<i>Audited consolidated financial statements of the Company as of and for the 52 weeks ended</i>	
<i>January 29, 2012</i>	
Consolidated Income Statement	F-99
Consolidated Statement of Comprehensive Income	F-100
Consolidated Balance Sheet	F-101
Consolidated Statement of Changes in Equity	F-102
Consolidated Statement of Cash Flows	F-103
Consolidated Shareholder Funding	F-105
Notes to the Consolidated Financial Statements	F-106
Independent Auditor's Report	F-144
Statutory Appropriation of the Result	F-146
<i>Balance sheet of the Senior Secured Notes Issuer as of June 17, 2014</i>	F-147
<i>Balance sheet of the Senior Notes Issuer as of June 17, 2014</i>	F-148

HEMA B.V.
Annual Report 2013

This annual report is adopted by the general meeting of shareholders on April 25, 2014.
Registration number Chamber of Commerce ('Kamer van Koophandel') 34215639.

HEMA B.V.
CONSOLIDATED INCOME STATEMENT
FROM FEBRUARY 4, 2013 UP TO AND INCLUDING FEBRUARY 2, 2014
(in million euros)

	<u>Note</u>	<u>2013</u>	<u>2012</u> (restated)*
Net sales	4	1,091.3	1,152.9
Cost of sales		(589.6)	(631.9)
Gross profit		501.7	521.0
Operating expenses	5	(442.0)	(435.9)
Operating income		59.7	85.1
Finance costs	6	(76.4)	(71.6)
Income before income taxes		(16.7)	13.5
Income taxes	7	0.3	(7.7)
Net(loss)/profit		(16.4)	5.8
Attributable to			
Shareholder		(16.4)	5.8
Net(loss)/profit		(16.4)	5.8

(*) The restatement is a result of a change in accounting standards and has an impact of 0.6 on net result (5.8 restated versus 6.4 reported). Refer to note 2.1.1, IAS19, for more information.

The accompanying notes on pages F-9 to F-46 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM FEBRUARY 4, 2013 UP TO AND INCLUDING FEBRUARY 2, 2014
(in million euros)

	<u>Note</u>	<u>2013</u>	<u>2012</u> (restated)*
Net(loss)/profit		(16.4)	5.8
Other comprehensive income/(loss)			
Items that will not be reclassified to profit and loss:			
• Remeasurements on post employment benefit obligations		—	0.8
• Tax effect on remeasurements on post employment benefit obligations . . .		—	(0.2)
Items that may subsequently be reclassified to profit and loss			
• Cash-flow hedges, net of tax	15	6.7	5.0
Other comprehensive income/(loss) for the year, net of tax		6.7	5.6
Total comprehensive income for the year		(9.7)	11.4
Attributable to			
Shareholder		(9.7)	11.4
Total comprehensive income for the year		<u>(9.7)</u>	<u>11.4</u>

(*) The restatement is a result of a change in accounting standards and has an impact of 0.6 on net result and other comprehensive income. On total OCI, the restatement has no impact. Refer to note 2.1.1, IAS19, for more information.

The accompanying notes on pages F-9 to F-46 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT FEBRUARY 2, 2014
(in million euros, after appropriation of current year result)

	Note	February 2 2014	February 3 2013 (restated)*	January 30 2012 (restated)*
ASSETS				
Property, plant and equipment	8	209.7	201.2	174.2
Intangible assets	9	1,168.7	1,174.4	1,172.9
Deferred tax assets	7	—	—	0.1
Other non-current assets	10	2.0	1.6	1.0
Total non-current assets		1,380.4	1,377.2	1,348.2
Inventories	11	147.6	147.8	150.8
Trade and other receivables	12	63.5	69.0	64.5
Other current financial assets	13	0.3	—	3.2
Current tax assets	7	3.0	—	—
Cash and cash equivalents	14	175.9	162.3	134.4
Total current assets		390.3	379.1	352.9
Total assets		1,770.7	1,756.3	1,701.1
Share capital	15	—	—	—
Share premium	15	408.2	408.2	408.2
Other reserves	15	(0.4)	(7.1)	(12.1)
Retained earnings	15	(70.4)	(54.0)	(60.3)
Total equity		337.5	347.2	335.8
LIABILITIES				
Borrowings	16	755.0	761.0	767.9
Shareholder loan	17	193.1	168.7	146.9
Other financial liabilities	18	24.9	30.8	36.2
Employee benefits	19	7.1	7.9	8.8
Deferred tax liabilities	7	98.7	99.7	101.7
Provisions	20	0.1	0.1	0.2
Total non-current liabilities		1,078.9	1,068.2	1,061.7
Trade and other payables	21	336.4	315.6	284.2
Borrowings	16	10.8	18.3	7.8
Other financial liabilities	22	5.7	6.5	3.8
Current tax liabilities	7	1.4	0.5	7.8
Total current liabilities		354.3	340.9	303.6
Total equity and liabilities		1,770.7	1,756.3	1,701.1

(*) The February 3, 2013 and January 30, 2012 figures are restated on other reserves and retained earnings. For 2011, 0.2 has moved from retained earnings to other reserves. For 2012, 0.6 have moved from retained earnings to other reserves. All other balance sheet lines are unadjusted. Refer to note 2.1.1, IAS 19, for more information.

The accompanying notes on pages F-9 to F-46 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM FEBRUARY 4, 2013 UP TO AND INCLUDING FEBRUARY 2, 2014
(in thousand euros)

	Note	Attributable to the shareholders				Total equity
		Share capital	Share premium	Other reserves	Retained earnings	
Balance as of January 29, 2012 (as previously reported)		18	408,224	(12,368)	(60,074)	335,800
Effect of changes in accounting standards (IAS19R)		—	—	225	(225)	—
Balance as of January 29, 2012 (restated)		18	408,224	(12,143)	(60,299)	335,800
Comprehensive income						
Profit for the year		—	—	—	5,806	5,806
Other comprehensive income						
Cash flow hedges, net of tax		—	—	4,952	—	4,952
Change in other reserves		—	—	122	478	600
Total comprehensive income		—	—	5,074	6,284	11,358
Transactions with owners						
Share premium contribution		—	—	—	—	—
Change in other reserves		—	—	—	—	—
Total transactions with owners		—	—	—	—	—
Balance February 3, 2013 (restated)		18	408,224	(7,069)	(54,015)	347,158
Comprehensive income						
Profit for the year		—	—	—	(16,420)	(16,420)
Other comprehensive income						
Cash flow hedges, net of tax		—	—	6,664	—	6,664
Change in other reserves		—	—	50	—	50
Total comprehensive income		—	—	6,714	(16,420)	(9,706)
Transactions with owners						
Share premium contribution		—	—	—	—	—
Change in other reserves		—	—	—	—	—
Total transactions with owners		—	—	—	—	—
Balance as of February 2, 2014		18	408,224	(355)	(70,435)	337,452

The accompanying notes on pages F-9 to F-46 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF CASH FLOW
FROM FEBRUARY 4, 2013 UP TO AND INCLUDING FEBRUARY 2, 2014
(in million euros)

	<u>Note</u>	<u>2013</u>	<u>2012</u> (restated)
Cash flow from operating activities			
Net profit		(16.4)	5.8
Income tax recognised in the income statement		(0.3)	7.7
Finance costs recognised in the income statement	6	76.4	71.6
Depreciation and amortization of non-current assets	5	57.5	53.6
Operating cash before changes in working capital		117.2	138.7
Movements in working capital			
• Decrease/(increase) in trade and other receivables	12	5.5	(4.5)
• Decrease in inventories	11	0.2	3.0
• Increase in trade and other payables	21	20.8	31.4
• Decrease in provisions	19/20	(0.8)	(1.0)
• Change in other assets/liabilities		(2.2)	(4.6)
Cash generated from operations		140.7	163.0
Income taxes paid		(1.2)	(11.4)
Net cash generated by operating activities		139.5	151.6
Cash flow from investing activities			
Payments for property, plant & equipment	8	(51.0)	(66.2)
Payments for intangible assets	9	(8.6)	(14.5)
Net cash used in investing activities		(59.6)	(80.7)
Cash flow from financing activities			
Interest paid	6	(39.8)	(34.6)
Interest received	6	0.1	0.5
Repayments of borrowings	16	(18.3)	(7.8)
Payments for financial leases	18	(1.3)	(1.1)
Finance fees paid		(7.0)	—
Net cash generated by financing activities		(66.3)	(43.0)
Net cash from operating, investing and financing activities		13.6	27.9
Cash and cash equivalents at the beginning of the year	14	162.3	134.4
Cash and cash equivalents at the end of the year	14	175.9	162.3

The accompanying notes on pages F-9 to F-46 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED SHAREHOLDER FUNDING
AS AT FEBRUARY 2, 2014
(in million euros, after appropriation of current year result)

	February 2 2014	February 3 2013
Shareholder loan	193.1	168.7
Group equity	<u>337.5</u>	<u>347.2</u>
Total shareholder funding	<u>530.6</u>	<u>515.9</u>

The accompanying notes on pages F-9 to F-46 are an integral part of these consolidated financial statements.

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in million euros, unless otherwise stated)

1 The Company and its Operations

HEMA B.V. ('HEMA' or the 'Company') is a limited liability company with its registered seat and head office in Amsterdam, the Netherlands.

The principal activities of the Company are retail operations in the Netherlands, Belgium, Luxembourg, Germany and France. The activities of HEMA are subject to seasonal influences. HEMA's business generally experiences an increase in net sales in the fourth quarter of each year.

HEMA's shares are ultimately held 100% by Dutch Lion Coöperatief U.A. ('Dutch Lion Coop'), an investment company which is owned by several investment funds advised by Lion Capital.

Before September 11, 2007 the name of HEMA was HEMA Holding B.V. ('HEMA Holding'). The name was changed following a legal merger between HEMA Holding and HEMA B.V. ('HEMA (old)'), with HEMA Holding as the surviving entity. On July 6, 2007 HEMA (old) was acquired by HEMA Holding from its then owner Maxeda B.V. ('Maxeda'). HEMA Holding accounted for the assets and liabilities of HEMA (old) based on the fair value of these assets and liabilities in accordance with IFRS 3 '**Business Combinations**'.

2 Significant Accounting Policies

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union.

The financial information relating to HEMA is presented in the consolidated financial statements. Accordingly, in accordance with section 402, part 9, book 2 of the Dutch Civil Code ('B2 DCC'), the company financial statements only contain an abridged income statement.

The consolidated financial statements have been prepared on the historical cost convention, except for the revaluation of financial instruments. The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

HEMA's reporting calendar is based on 12 periods of four weeks or five weeks. The financial year is a 52- or 53-week year ending on the Sunday nearest to January 31. Financial year 2013 consists of 52 weeks and ended on February 2, 2014. The comparable financial year 2012 consisted of 53 weeks and ended on February 3, 2013.

2.1.1 Changes in Accounting Policies and Disclosures

(a) Standards and interpretations effective in the current year

In the current year the Company has adopted the following new and amended International Financial Reporting Standards:

- amendments to IAS 1 '**Financial statement presentation**', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Company has applied the amendment to IAS 1 from February 4, 2013. This standard does not have a material impact on the financial statements of HEMA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

- amendment to IAS 19 '**Employee Benefits**'. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Remeasurements of employee benefits (actuarial gains and losses) will be recorded in equity in stead of profit and loss. The Company has applied the amendment to IAS 19 from February 4, 2013. This standard does not have a material impact on the financial statements of HEMA. For comparison reasons, HEMA retrospectively adjusted the figures of 2011 and 2012. For 2011, 0.2 has moved from retained earnings to other reserves. For 2012, 0.6 have moved from retained earnings to other reserves. On total net result for 2012 changes from 6.4 (profit) reported to 5.8 (profit) restated.
 - amendment to IFRS 7 '**Financial instruments: Disclosures**', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The Company has applied this amendment from February 4, 2013. The company added additional disclosures in note 24.
 - annual improvements 2011: IFRS 1, '**First time adoption**'; IAS 1, '**Financial statement presentation**', IAS 16, '**Property plant and equipment**', IAS 32, '**Financial instruments; Presentation**', IAS 34, '**Interim financial reporting**'. The Company has applied the improvements from February 4, 2013. These changes do not have a material impact on the financial statements of HEMA.
 - IFRS 10, '**Consolidated Financial Statements**': The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The Company has applied the new standard from February 4, 2013. These changes do not have a material impact on the financial statements of HEMA.
 - IAS 27 (revised 2011), '**Separate financial statements**': IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Company has applied the amended standard from February 4, 2013. These changes do not have a material impact on the financial statements of HEMA.
 - IFRS 13, '**Fair value measurement**': IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Company has applied IFRS 13 from February 4, 2013.
- (b) **Standards, amendments and interpretations to existing standards that are not yet effective, have not been early adopted by the Company and are endorsed by the European Union**

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting years beginning on or after February 3, 2014, and the Company has not early adopted them:

- amendment to IAS 32, '**Financial instruments: Presentation**', on asset and liability offsetting: These amendments are to the application guidance in IAS 32, '**Financial instruments: Presentation**', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Company will apply the amendment from February 3, 2014. These changes are not expected to have a material impact on the financial statements of HEMA.
- amendment to IAS 36, '**Impairment of assets**' on recoverable amount disclosures: This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

amount is based on fair value less costs of disposal. The Company will apply the amendment from February 3, 2014. These changes are not expected to have a material impact on the financial statements of HEMA.

- amendment to IAS 39 '**Novation of derivatives**': This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Company will apply the amendment from February 3, 2014. These changes are not expected to have a material impact on the financial statements of HEMA.

2.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and entities over which the Company has control. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by HEMA.

All intra-group transactions balances income and expenses are eliminated in full on consolidation.

The consolidated statement of cash flow has been prepared using the indirect method. Cash flows in foreign currencies are restated into euros at the date of the cash flow.

HEMA's significant subsidiaries are listed in note 30.

2.3 Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using an average rate that approximates the actual rate at the date of the transaction. Whenever exchange rates fluctuate significantly, the exchange rates prevailing at the dates of the transactions are used. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the hedge reserve in equity as qualifying cash flow hedges.

Group companies

Some subsidiaries have a functional currency that is different from the presentation currency. None of these entities has a currency of a hyperinflationary economy. The results and financial position of all these entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

2.4 Net Sales

HEMA generates and recognises net sales to retail customers at the point of sale in its stores and upon delivery of products to internet customers. HEMA also generates revenues from the sale of products to retail franchisees, which are recognised upon delivery. HEMA recognises franchise fees as revenue when all material services relating to the contract have been substantially performed. Discounts earned by customers are recognised as a reduction of sales at the time of the sale. Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased. However, for certain products or services, such as the sale of insurance contracts and customised photo books, HEMA acts as an agent and consequently records the amount of commission income in its net sales. Net sales exclude value-added taxes.

2.5 Cost of Sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to their present location and condition. These costs include costs of purchasing, styling, quality control, storing, rent, salaries and transporting products to the extent it relates to bringing the inventories to their present location and condition. The depreciation costs are allocated to the inventory, however when the inventory is sold the depreciation costs (of the costs mentioned above) are recorded under depreciation and not under the cost of sales.

2.6 Finance Cost

Finance cost covers all interest income and expense attributable to the reporting year on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable. This item also includes gains and losses on hedging activities and amortisation of capitalised financing costs.

2.7 Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that are applicable for the year.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the income statement, except when they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

2.8 Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset. Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The estimated useful lives of property, plant and equipment are:

Leasehold improvements	10 years
Technical installations	10 years
Hardware	3–5 years
Furniture & fixtures	7 years
Trucks & cars	7 years

Assets that are expected to have a shorter useful life are depreciated in this shorter period.

Depreciation of assets subject to finance leases and leasehold improvements is calculated on a straight-line basis over either the lease or the estimated useful life of the asset, whichever is shorter.

2.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

Assets held under finance leases are initially recognised as assets of HEMA at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with HEMA's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

2.10 Intangible Assets

Goodwill and impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of a business combination. Each unit (or group of units) to which the goodwill is allocated, represents the lowest level within the Company at which the goodwill is monitored for internal management purposes and that is not larger than a segment. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. An impairment loss is recognised for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash generating unit's fair value less costs of disposal and its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit. An impairment loss recognised for goodwill is not reversed in subsequent years.

Other intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Brand

Brands with indefinite useful lives are tested for impairment on an annual basis. Brands are considered as corporate assets and can be allocated on a reasonable and consistent basis to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the brand arose. The Company allocates brands to operating segment in which it operates.

Customer relationships

The customer relationships have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)**Computer software and others**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Key Money has a definite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the key money over their estimated useful lives

Amortisation is computed using the straight-line method based on the estimated useful lives, which are as follows:

Customer relationships	10–13 years
Software	3–10 years
Other	3–12 years

For software, lives in excess of six years are used only when management is satisfied that the lives of these assets will clearly exceed that year. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. HEMA assesses on a yearly basis whether there is any indication that other intangible assets may be impaired.

Impairment of non-current assets other than goodwill and brand

HEMA assesses on a yearly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, HEMA estimates the recoverable amount of the asset. Where it is not possible to estimate the recoverable amount of an individual asset, HEMA estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. In subsequent years, HEMA assesses whether indications exist that impairment losses previously recognised for non-current assets other than goodwill and the brand may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and its carrying amount is increased to the revised recoverable amount, if required. The increase is recognised in operating income as an impairment reversal. An impairment reversal is recognised only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognised had the original impairment not occurred.

2.11 Inventories

Inventories are stated at cost or net realisable value, whichever is lower. Cost consists of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, net of vendor allowances attributable to inventories. The cost of the majority of inventories is determined using a moving average price method. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories are recognised in the balance sheet when the significant risks and rewards of ownership of the goods have been transferred to HEMA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

2.12 Financial Assets

Regular purchases and sales of financial assets are recognised on the trade-date—the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the group has transferred substantially all risks and rewards of ownership.

Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.13 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Financial Liabilities and Equity Instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by HEMA are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at fair value through profit and loss’ or ‘other financial liabilities’. Effectively the Company only recognises other financial liabilities as it has no financial liabilities at fair value through profit and loss.

The other financial liabilities including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Other financial liabilities relating to financial lease agreements are stated at the net present value of future lease instalments. Gift cards (included in other liabilities) are carried at nominal value minus a non-redemption percentage, which is based on historical redemption figures. Each year at balance sheet date, the non-redemption percentage will be reassessed and adjusted accordingly. All other liabilities are carried at the nominal value. Repayment commitments on long term liabilities that are payable within one year are included under short-term borrowings.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(all amounts in million euros, unless otherwise stated)****2 Significant Accounting Policies (Continued)****2.15 Derivative Financial Instruments**

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 24.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

HEMA designates certain cash flow hedging instruments. These hedges are accounted for as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and allocated to the other reserves within equity.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other financial gains and losses' in the income statement. Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Amounts deferred in equity are recycled in the income statement in the years when the hedged item is recognised in the income statement, in the same line of the income statement as the hedged item.

Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

2.16 Pensions and other Post- and Long-term Employment Benefits

The net liabilities recognised in the consolidated balance sheet for defined benefit plans represent the present value of the defined benefit obligations.

Contributions to defined contribution plans are recognised as an expense when they are due. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for under defined contribution criteria.

For other long-term employee benefits, such as long-service awards, provisions are recognised on the basis of discount rates and other estimates that are consistent with the estimates used for the defined benefit obligations. For these provisions all remeasurements are recognised in the consolidated income statement immediately.

2.17 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount recognised is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant. Restructuring provisions are recognised when the Company has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced to those affected by it.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

The expected settlements within one year are included under short term provisions.

2.18 Share-Based Payments

Key personnel of HEMA has been offered the opportunity to invest in Dutch Lion Coop. The investment consists of a membership rights component that is recognised as a share-based payment transaction in accordance with IFRS 2. In addition part of the investment consists of a loan component that is also disclosed by HEMA in accordance with IAS 24—Related party transactions for the loan components issued to management. In accordance with IFRS 2 that provides guidance on whether share-based payment transactions should be accounted for as equity-settled or cash-settled share based payment transactions, HEMA recognises the membership right instruments purchased under the Management Equity Plan as an equity settled share-based payment transaction (since the instrument is not settled by HEMA and the investment is not in equity instruments of HEMA (Dutch Lion Coop the ultimate parent of the Company has the obligation to settle and the investment is in equity instruments of Dutch Lion Coop)).

For equity settled share based payment arrangements, the fair value of membership right instruments is measured at the grant date and, if applicable the fair value is recognised as an expense with a corresponding increase recognised in equity. The fair value of the membership right instruments purchased under the Management Equity Plan is equal to the difference between (i) the fair market value of the membership right instruments at the date of grant; and (ii) the subscription price payable for the membership right instruments acquired. Where vesting conditions are applicable the expense is recognised over the vesting period of the instruments granted.

3 Critical Accounting Estimates and Judgements

The preparation of HEMA's consolidated financial statements requires management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, of income and expenses and the disclosure of contingent assets and liabilities. Estimates and assumptions may differ from future actual results. The estimates and assumptions that management considers most critical and that have a significant inherent risk of causing a material adjustment are the following:

- **impairment of non-current assets** (note 8 and 9). Determining whether non-current assets are impaired requires an estimation of the recoverable amount of the asset (or cash generating unit). For this purpose the Company is required to make estimations and assumptions in respect of future cash flows and the appropriate discount rate. The carrying amount of non-current assets that are subject to an annual impairment test is 732.7 (goodwill) and 394.4 (brand name).
- **income taxes** (note 7). HEMA has significant tax loss carry forward positions. Significant judgement is required in determining the consolidated provision for income taxes and the recoverable amounts of deferred tax assets related to tax loss carry forward positions. Currently no deferred tax asset is recognised. The carrying amount of the deferred tax liability is 98.7.
- **inventories** (note 11). The obsolete stock provision amounts to 9.1 (2012: 9.9). Judgement is required to determine the size of the provision.
- **employee benefits** (note 19). The employee benefit obligations consists of a jubilee plan (5.8) and early retirement plans (1.3). The calculations for the jubilee plan are determined by independent actuaries. The early retirement plans are calculated based on Company assumptions.
- **financial derivatives** (note 24). The balance sheet includes financial derivatives mainly currency forward contracts and interest rate swaps, with a net fair value of 6.6 (liability). The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined on the basis of valuation techniques performed by an external party.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

3 Critical Accounting Estimates and Judgements (Continued)

- **share-based payment** (note 26). HEMA calculates the fair value of the share based payment components of the Management Equity Plan. Significant judgement is required to determine the equity component in this Plan. For further details, please refer to note 26.

4 Net Sales

The net sales can be specified as follows:

From February 4, 2013 up to and including February 2, 2014 (in million euros)	2013	2012
Sales to retail customers	786.9	820.4
Sales to franchisees	289.3	314.7
Other sales	15.1	17.8
Net sales	<u>1,091.3</u>	<u>1,152.9</u>

5 Operating Expenses

The operating expenses can be specified by nature as follows:

From February 4, 2013 up to and including February 2, 2014 (in million euros)	2013	2012 (restated)
Salaries	154.3	159.0
Taxes and social securities	29.0	26.5
Employee benefit expenses	12.7	11.7
Other personnel expenses	6.9	7.5
Total labour costs	<u>202.9</u>	<u>204.7</u>
Housing and rents	118.1	111.7
Other general expenses	67.4	68.3
Other income and expense	(3.9)	(2.4)
Depreciation, amortisation and impairments	57.5	53.6
Total operating expenses	<u>442.0</u>	<u>435.9</u>

The employee benefit expenses relate to defined contribution and defined benefit plans. For the defined benefit plans see note 19.

6 Finance Costs

From February 4, 2013 up to and including February 2, 2014 (in million euros)	2013	2012
Interest income	(0.1)	(0.5)
Interest expense		
• Cash interest expense	39.8	34.6
• Non cash interest expense	32.3	29.4
Amortised finance costs	4.0	3.8
Other financial expense	0.4	4.3
Total finance costs	<u>76.4</u>	<u>71.6</u>

Interest income is attributable to the interest on cash and cash equivalents. The cash interest expense is attributable to the interest on borrowings (see note 16), financial liabilities and bank overdrafts. The non-cash interest is attributable to the interest on the shareholder loan and mezzanine facility (see

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

6 Finance Costs (Continued)

note 16). The non-cash interest is added to the principal of the mezzanine facility and the shareholder loan.

7 Income Taxes

The fiscal unity of which HEMA is part, is headed by the Company's ultimate shareholder Dutch Lion Coöperatief U.A. The fiscal unity consists of Dutch Lion Coöperatief U.A., Dutch Lion B.V., HEMA B.V., HEMA Bakkerijen B.V., HEMA Financiering B.V., and HEMA Financial Services B.V. All taxes for the fiscal unity are paid by HEMA. The current tax paid in these consolidated financial statements mainly relate to the income taxes for HEMA Belgium and the fiscal unity. As a result of losses in Dutch Lion B.V. and Dutch Lion Coop, HEMA records the share in current taxes of Dutch Lion B.V. and Dutch Lion Coop as a payable to these entities (refer to note 25). The other tax positions in these consolidated financial statements, such as deferred taxes, only relate to the taxes for HEMA and its subsidiaries.

Current taxes

The current tax asset of 3.0 relates to the fiscal unity Dutch Lion Coöperatief U.A. The current tax liability of 1.4 mainly relates to HEMA Belgium B.V.

Income tax recognised in profit or loss

The following table specifies the current and deferred tax components of income taxes as recognised in the consolidated income statement.

From February 4, 2013 up to and including February 2, 2014
(in million euros)

	2013	2012 (restated)
Current income taxes		
Domestic taxes	0.8	(8.5)
Foreign taxes		
• Asia	(0.1)	—
• Europe	(1.4)	(1.3)
Total current tax expense	(0.7)	(9.8)
Deferred income taxes		
Domestic taxes	1.0	2.1
Foreign taxes		
• Europe	—	—
Total deferred tax expense	1.0	2.1
Total income taxes	0.3	(7.7)

Effective income tax rate

HEMA's effective tax rate in the consolidated income statement differs from the statutory income tax rate of the Netherlands, which is 25 percent in both 2013 and 2012. The following table reconciles the statutory

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

7 Income Taxes (Continued)

income tax rate of the Netherlands with the effective income tax rate as shown in the consolidated income statement.

**From February 4, 2013 up to and including February 2, 2014,
(in million euros)**

	2013		2012 (restated)	
Income before income taxes	(16.7)		13.5	
Income tax expense at statutory rate	4.2	(25.0%)	(3.4)	(25.0%)
Adjustments to arrive at effective income tax rate:				
• Rate differential (local statutory rates versus the statutory rate of the Netherlands)—effect of different tax rates of subsidiaries operating in different jurisdictions.	(0.5)	3.0%	(0.3)	(2.2%)
• Loss carry forward not recognised	(0.7)	4.2%	(0.1)	(0.7%)
• Additional loss carry forward recognised	—	—	0.1	0.7%
• Non-deductible and other items	(2.7)	16.0%	(4.0)	(29.8%)
Total income taxes	0.3	(1.8%)	(7.7)	(57.0%)

Deferred income tax

The significant components of deferred income tax assets and liabilities as of February 2, 2014 and February 3, 2013 are as follows:

(in million euros)	February 2 2014	February 3 2013
Post-employment and other employee benefits	1.5	1.6
Property, plant & equipment	2.2	1.8
Fair value losses creditors	—	0.4
Total gross deferred tax asset	3.7	3.8
Unrecognised deferred tax assets	—	—
Total recognised deferred tax assets	3.7	3.8
Tax losses and tax credits	8.1	9.2
Unrecognised tax losses and tax credits	(8.1)	(9.2)
Total recognised tax losses and tax credits	—	—
Total net tax assets position	3.7	3.8
Brand	98.6	98.6
Customer relationships	3.8	4.9
Total deferred tax liability	102.4	103.5
Deferred income tax expense		
Net deferred tax liability	98.7	99.7

Deferred income tax assets and liabilities are offset in the consolidated balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are levied by the same fiscal authority. For 2013, the recognised deferred tax assets of 3.7 have been offset with the deferred tax liability relating to the customer relationships of 3.8. This results in a net deferred tax liability of 0.1. Together with the deferred tax liability relating to the HEMA brand of 98.6,

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

7 Income Taxes (Continued)

a total deferred tax liability of 98.7 is presented as non-current liabilities in the consolidated balance sheet. See the table below:

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Deferred tax assets	—	—
Deferred tax liabilities	98.7	99.7
Net deferred tax liability	<u>98.7</u>	<u>99.7</u>

Refer to the table below when the deferred taxes are expected to be recovered:

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Deferred tax assets		
• deferred tax assets to be recovered after more than 12 months	2.2	3.3
• deferred tax assets to be recovered within 12 months	1.5	0.5
	<u>3.7</u>	<u>3.8</u>
Deferred tax liabilities		
• deferred tax liabilities to be recovered after more than 12 months	101.4	102.4
• deferred tax liabilities to be recovered within 12 months	1.0	1.1
	<u>102.4</u>	<u>103.5</u>
Deferred tax liability (net)	<u>98.7</u>	<u>99.7</u>

As of February 2, 2014 HEMA had unused tax losses, for which no deferred tax asset is recognised in the balance sheet of a total nominal amount of approximately 26.4 (2012: 29.5) which is expiring as from 2014 and onwards. Significant judgement is required in determining whether deferred tax assets are realisable. HEMA determines this on the basis of expected taxable profits arising from the reversal of recognised deferred tax liabilities and on the basis of budgets and cash flow forecasts. Where utilization is not considered probable, deferred tax assets are not recognised.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

8 Property, Plant and Equipment

(in million euros)	Leasehold improvements	Technical installations	Hardware	Furniture and fixtures	Trucks and cars	Work in progress	Total
As of January 29, 2012							
At cost	84.4	80.1	40.3	298.3	8.6	9.0	520.7
Accumulated depreciation and impairment losses	(35.3)	(36.9)	(34.5)	(236.7)	(3.1)	—	(346.5)
Carrying amount	49.1	43.2	5.8	61.6	5.5	9.0	174.2
Additions							
At cost	18.7	16.1	6.2	18.5	1.7	6.7	67.9
Depreciation	(8.4)	(8.2)	(3.0)	(18.1)	(1.4)	—	(39.1)
Impairment losses charged to profit & loss	(0.1)	(0.1)	—	(1.6)	—	—	(1.8)
Transfer from WIP	2.5	1.6	0.2	2.8	—	(7.1)	—
Disposals							
At cost	(1.1)	(0.6)	—	(28.1)	(0.3)	—	(30.1)
Accumulated depreciation	1.1	0.6	—	28.1	0.3	—	30.1
As of February 3, 2013							
At cost	104.5	97.2	46.7	291.7	10.0	8.5	558.7
Accumulated depreciation and impairment losses	(42.7)	(44.6)	(37.5)	(228.5)	(4.2)	—	(357.5)
Carrying amount	61.8	52.6	9.2	63.2	5.8	8.5	201.2
Additions							
At cost	13.2	12.7	1.7	16.5	0.9	6.9	51.9
Depreciation	(9.6)	(9.6)	(3.2)	(18.4)	(1.5)	—	(42.3)
Impairment losses charged to profit & loss	(0.2)	(0.3)	—	(0.5)	—	—	(1.0)
Transfer from WIP	1.9	1.7	0.5	2.2	—	(6.3)	—
Disposals							
At cost	(0.4)	(0.4)	(11.8)	(17.3)	(1.2)	—	(31.1)
Accumulated depreciation	0.4	0.4	11.8	17.3	1.2	—	31.1
As of February 2, 2014							
At cost	119.2	111.2	37.1	293.1	9.7	9.1	579.4
Accumulated depreciation and impairment losses	(52.1)	(54.1)	(28.9)	(230.1)	(4.5)	—	(369.7)
Carrying amount	67.1	57.1	8.2	63.0	5.2	9.1	209.7

In 2013 1.0 was recognised as impairment (2012 1.8).

23.0 of the disposals relate to a clean up of the fixed asset register. These assets were disposed and/or replaced several years ago. The clean up did not lead to an impairment loss, as all assets were already fully depreciated. The other part of the disposals relate to main refurbishments of stores.

For the contractual commitments for the acquisition of property, plant and equipment, see note 28. The most important component of work in progress is unfinished projects related to HEMA's stores.

Vehicles and machinery includes the following amounts where the group is a lessee under a finance lease:

(in million euros)	February 2 2014	February 3 2013
Capitalised finance lease—at cost	9.7	10.0
Accumulated depreciation	(4.5)	(4.2)
Carrying amount	5.2	5.8

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

8 Property, Plant and Equipment (Continued)

The company leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between 5 and 7 years, and ownership of the assets lies within the company.

Lease rentals amounting to 1.8 (2012: 1.6) relating to lease of vehicles are included in the income statement on depreciation and finance costs (note 5 and 6).

Essentially all of the property, plant and equipment has been pledged to secure borrowings of the Company (note 16).

9 Intangible Assets

(in million euros)	Goodwill	Brand	Customer relationships	Software	Other	Intangible assets under development	Total
As of January 29, 2012							
At cost	732.7	394.4	43.7	68.6	4.6	2.8	1,246.8
Accumulated amortisation and impairment losses	—	—	(19.7)	(52.7)	(1.5)	—	(73.9)
Carrying amount	732.7	394.4	24.0	15.9	3.1	2.8	1,172.9
Additions							
At cost	—	—	—	7.9	3.4	3.2	14.5
Amortisation	—	—	(4.3)	(8.2)	(0.5)	—	(13.0)
Transfer from assets under development	—	—	—	3.1	—	(3.1)	—
Disposals							
At cost	—	—	—	—	—	—	—
Accumulated amortisation	—	—	—	—	—	—	—
As of February 3, 2013							
At cost	732.7	394.4	43.7	79.6	8.0	2.9	1,261.3
Accumulated amortisation and impairment losses	—	—	(24.0)	(60.9)	(2.0)	—	(86.9)
Carrying amount	732.7	394.4	19.7	18.7	6.0	2.9	1,174.4
Additions							
At cost	—	—	—	3.2	1.1	4.3	8.6
Amortisation	—	—	(4.3)	(9.3)	(0.7)	—	(14.3)
Transfer from assets under development	—	—	—	2.6	—	(2.6)	—
Disposals							
At cost	—	—	—	(1.6)	—	—	(1.6)
Accumulated amortisation	—	—	—	1.6	—	—	1.6
As of February 2, 2014							
At cost	732.7	394.4	43.7	83.8	9.1	4.6	1,268.3
Accumulated amortisation and impairment losses	—	—	(28.3)	(68.6)	(2.7)	—	(99.6)
Carrying amount	732.7	394.4	15.4	15.2	6.4	4.6	1,168.7

1.3 of the disposals relate to a clean up of the fixed asset register. These assets were disposed and/or replaced several years ago. The clean up did not lead to an impairment loss, as all assets were already fully depreciated.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets (Continued)

Impairment test for goodwill and HEMA brand

Goodwill recognised relates to the acquisition of HEMA (old). Goodwill acquired in the business combination is allocated, at acquisition, to the cash generating units ('CGUs') or group of CGUs expected to benefit from the business combination. The carrying amounts of goodwill allocated to CGUs within HEMA are as follows:

<u>Goodwill per CGU</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
The Netherlands	688.6	688.6
Belgium & Luxembourg	43.6	43.6
Germany	0.5	0.5
Total HEMA	<u>732.7</u>	<u>732.7</u>

As a result of the accounting for business combinations the Company has determined that it cannot reliably measure separately the individual fair values of the complementary assets that together comprise the HEMA brand. Therefore, the brand name HEMA was recognised as a single asset. The Company has determined that the useful life of the HEMA brand is indefinite based on the history and reputation of the brand. The brand name HEMA is tested for impairment annually, or more frequently if there are indications that the brand name HEMA might be impaired. The brand name HEMA does not individually generate cash flows and should therefore not be tested for impairment as a single asset. The HEMA brand name is tested together with the CGUs that were tested for goodwill purposes. The carrying amounts of brand allocated to CGUs within HEMA are as follows:

<u>Brand per CGU</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
The Netherlands	370.9	370.9
Belgium & Luxembourg	23.5	23.5
Total HEMA	<u>394.4</u>	<u>394.4</u>

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU is determined based on fair value less costs of disposal calculations (level 3). Fair value less costs of disposal sell calculations use post-tax cash flow projections into perpetuity. The cash flow projections are based on assumptions approved by company management. The continuing value is determined based on a 'steady state' set of assumptions for the cash flows in the last forecast year and applying a terminal value multiple to those cash flows.

The key assumptions used in financial year 2013 for fair value less costs of disposal calculations are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>The Netherlands</u>	<u>Belgium & Luxembourg</u>	<u>The Netherlands</u>	<u>Belgium & Luxembourg</u>
Gross margin (average)				
• next 10 years	47.1%	60.2%	47.3%	61.3%
• after that	47.1%	60.5%	46.7%	61.5%
Growth rate (average)				
• next 10 years	1.5%	2.0%	2.3%	3.0%
• after that	1.5%	1.5%	1.5%	1.5%
Discount rate	7.6%	8.0%	7.8%	8.2%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets (Continued)

The calculation of fair value less cost to sell for the cash generating units is most sensitive to the following assumptions:

- gross margins: the Company determined budgeted gross margin based on past performance and its expectations for the market development.
- the discount rate is based on the (post-tax) weighted average cost of capital ('WACC'): the market-based weighted average of the after-tax cost of debt and cost of equity. The target long-term level of debt and equity in HEMA's capital structure is estimated using the median of market-based values for debt and equity based on a peer group of comparable listed companies. The cost of equity for both CGUs is calculated based on the Capital Asset Pricing Model ('CAPM'), including (1) a risk free rate based on a 30-year country specific government bonds, (2) an estimated company specific levered beta (based on the median beta of the peer group) multiplied by the excess market return and (3) an additional risk premium that takes into account the illiquidity and size of each CGU as compared to the peer group of listed companies. The cost of debt for both CGUs is calculated by adding a (default) spread to the risk-free rate. The spread has been derived by deducting the country specific risk free rate from the yields for listed bonds with similar credit ratings as the listed peer group companies.
- growth rate: future growth rates are displayed in the table above and differ by geography. The growth rate of 1.5% for CGU NL is lower than the average growth rates achieved in the years 2008-2012, but higher when including 2013. Management believes that the lost sales in 2013 should not be reflected in the future growth expectations, since the year 2013 is not representative of HEMA's anticipated future performance and an improvement in the economic environment will result in increasing sales. This is justified by the improvement of the consumer confidence in The Netherlands in the second half of 2013.

Sensitivity analysis key assumptions

The key assumptions are mainly based on historical achieved results and in line with long term expected inflation developments. However, in the case of certain unexpected future developments, currently not reflected in the cash flow projections, the carrying amount might exceed the recoverable amount. For that reason, the Company included a sensitivity analysis. In case of a higher discount rate of 1.0%-point, the recoverable amount of CGU NL will be lower than the carrying amount, leading to an impairment loss of 72 million. In case the economic recovery will take longer than expected, sales growth might be lower. For example a 1.0%-point lower growth rate for CGU NL for the next five years lead to an impairment loss of 47 million. This impairment loss is including an offset of costs which are highly correlated with the level of sales.

Customer relationships

As a result of the accounting for business combinations, customer relationships relating to franchise agreements and insurance policies have been recognized in 2007. The customer relationships are amortized over the expected economic life time of the contracts being 10 respectively 13 years. The remaining expected economic life time of the customer relationships relating to franchise agreements and insurance policies are 3.4 years and 6.4 years.

Other

Other intangibles relates to key money. In France it is necessary to acquire the lease rights (e.g. key money) from the previous tenant before the full benefits of a lease agreement can be enjoyed. The lease rights give the holder the right to a free and peaceful use of the premises, the right to rent control and rights relating to the duration of the lease and renewal rights. When a new tenant takes over a property, the lease rights are sold to the new tenant. Key money is amortised over the expected economic life time of the lease contracts being 10 respectively 12 years.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets (Continued)

Intangible assets under development

The most important component of intangible assets under development are unfinished IT projects.

All of the intangible assets represented by legal titles or of similar status have been pledged to secure borrowings of the Company (note 16).

10 Other Non-Current Assets

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Other	2.0	1.6
Total other non-current assets	<u>2.0</u>	<u>1.6</u>

The other non-current assets mainly relate to warranties paid for rental contracts in Germany and France.

11 Inventories

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Trade inventory	152.3	152.8
Raw materials	2.3	2.2
Other inventories	2.1	2.7
	156.7	157.7
Valuation allowance	(9.1)	(9.9)
Total inventories	<u>147.6</u>	<u>147.8</u>

The raw materials and other inventories concern food, photo and packaging materials. An amount of 0.4 has been recognised as write-offs of inventories in the consolidated income statement (2012: 0.7). The valuation allowance for inventories is 9.1 (2012: 9.9). All of the inventories are pledged to secure borrowings of the Company (note 16).

12 Trade and Other Receivables

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Trade receivables	37.5	39.6
Provision for impairment	(0.8)	(0.7)
Trade receivables—net	<u>36.7</u>	<u>38.9</u>
Receivables from related parties	3.8	3.6
Prepayments	14.3	18.0
Other receivables	8.7	8.5
Total trade and other receivables	<u>63.5</u>	<u>69.0</u>

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

12 Trade and Other Receivables (Continued)

The ageing of the trade receivables was as follows:

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
0 - 30 days	37.0	39.0
31 - 60 days	0.1	0.1
61 - 90 days	—	0.1
91 - 180 days	0.1	—
>181 days	0.3	0.4
Total trade receivables	<u>37.5</u>	<u>39.6</u>

Movements on the provision for impairment were as follows:

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Beginning of the year	(0.7)	(0.4)
Additions	(0.2)	(0.3)
Used	0.1	—
End of the year	<u>(0.8)</u>	<u>(0.7)</u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

All of the trade and other receivables are pledged to secure borrowings of the Company (note 16).

13 Other Current Financial Assets

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Derivative financial instruments	0.3	—
Total other current financial assets	<u>0.3</u>	<u>—</u>

14 Cash and Cash Equivalents

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Cash on hand	15.6	15.6
Cash in banks and cash equivalents	160.3	146.7
Total cash and cash equivalents	<u>175.9</u>	<u>162.3</u>

Cash and cash equivalents include all cash on hand balances, cheques, debit and credit receivables in transfer. Bank overdrafts that are part of HEMA's cash-pool arrangements are offset with bank balances that are part of this arrangement. Cash on hand mainly relates to cash in tills.

All of the bank accounts are pledged to secure borrowings of the Company (note 16).

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

15 Equity Attributable to Shareholders

Shares and share capital

As of February 2, 2014, the Company has 90,000 authorised shares with a par value of €1, of which 18,000 are fully paid. This is unchanged compared to previous year.

Share premium

The total amount paid by the shareholders at the issuance of the shares was 108.9 of which 108.9 has been allocated to share premium. The share premium recognised in 2011 amounting to 219.3 consists of the capital contribution by Dutch Lion which is subsequently settled with part of the shareholder loan (see note 17). In 2009 a similar sett-off was executed for an amount of 80.

Legal reserves

HEMA is a company incorporated under Dutch law. In accordance with B2 DCC, legal reserves have to be established in certain circumstances. The cash flow hedging reserve is a legal reserve. Legal reserves are not available for distribution to the Company's shareholders. If the cash flow hedging reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance.

(in thousand euros)	Cash flow hedging reserve	Other reserves	Currency translation reserve	Total
Balance as of January 29, 2012 (as previously reported)	(12,846)	478	—	(12,368)
Effect of changes in accounting standards (IAS19R)	—	225	—	225
Balance as of January 29, 2012 (restated)	(12,846)	703	—	(12,143)
Cash flow hedges				
• Fair value gains	3,432	—	—	3,432
• Transfers to inventory	(3,172)	—	—	(3,172)
• Transfers to income statement	4,692	(478)	—	4,214
Remeasurements of employee benefits	—	600	—	600
Balance as of February 3, 2013 (restated)	(7,894)	825	—	(7,069)
Cash flow hedges				
• Fair value gains	2,813	—	—	2,813
• Transfers to inventory	2,388	—	—	2,388
• Transfers to income statement	1,464	—	—	1,464
Currency translation difference	—	—	50	50
Balance as of February 2, 2014	(1,229)	825	50	(354)

Items in the statement above are disclosed net of tax. The total change in 2013 in the cash flow hedging reserve amounts to 6.7 (2012: 5.0).

Gains and losses on forward contracts recognised in cash flow hedging reserve will be released to the income statement in the next year. Gains and losses on the interest rate swaps recognised in cash flow hedging reserve will be released to the income statement in the next year.

The cash flow hedging reserve amounting to (1.2) (negative) is the fair value of the interest rate swaps and the foreign exchange forward contracts for which hedge accounting is applied.

Other reserves

The other reserves relate to remeasurements of employee benefit obligations.

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

15 Equity Attributable to Shareholders (Continued)

Retained earnings

(in thousand euros)

At January 29, 2012 (as previously reported)	(60,074)
Effect of changes in accounting standards (IAS19R)	(225)
At January 29, 2012 (restated)	(60,299)
Net profit for the year	5,806
Change in other reserves	478
At February 3, 2013 (restated)	(54,015)
Net profit for the year	(16,420)
Change in other reserves	—
At February 2, 2014	(70,435)

16 Borrowings

(in million euros)	February 2, 2014		February 3, 2013	
	Non-current portion	Current portion	Non-current portion	Current portion
Borrowings	755.0	10.8	761.0	18.3
Total	755.0	10.8	761.0	18.3

The current portion of the borrowings amounts to 10.8 (2012: 18.3) and relates to the mandatory repayment as required under the senior facility agreement.

The fair values of these borrowings, corresponding derivatives and the foreign exchange and interest rate risk management policies applied by HEMA are disclosed in note 24.

Borrowings

On July 5, 2007 the Company signed two facilities with a syndicate of two banks: a senior facility agreement (the ‘Senior Facilities Agreement’) and a mezzanine facility agreement (the ‘Mezzanine Facility Agreement’). The Senior Facility Agreement comprises of three loan facilities (‘Facility B’, ‘Facility C’, ‘Facility D’). On August 1, 2013, HEMA amended and extended (A&E) on average more than 90% of its borrowings.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

16 Borrowings (Continued)

The amount and due dates of the facilities as of February 2, 2014 are as follows:

(in million euros)	Principal due	Within 1 year	Between 1 and 5 years	After 5 years	February 2 2014
Facility B	July 2015	0.5	24.8	—	25.3
Extended facility B	December 2017	4.9	236.4	—	241.3
Facility C	July 2016	0.4	17.9	—	18.3
Extended facility C	December 2017	5.0	243.3	—	248.3
Facility D	January 2017	—	2.0	—	2.0
Extended facility D	January 2018	—	78.0	—	78.0
Extended mezzanine facility	April 2018	—	120.0	—	120.0
Total		10.8	722.4	—	733.2
Rolled up interest mezzanine		—	47.0	—	47.0
		10.8	769.4	—	780.2
Deferred financing costs		(4.0)	(10.4)	—	(14.4)
Total		6.8	759.0	—	765.8

All facilities carry a floating interest rate of 1-months EURIBOR plus a spread. The average spread for all borrowings in 2013 was 4.8% (2012: 4.0%). The spreads have increased, starting August 1, as a result of the amend and extend of the borrowings.

The amount and due dates of the facilities as of February 3, 2013 were as follows:

(in million euros)	Principal due	Within 1 year	Between 1 and 5 years	After 5 years	January 29 2012
Facility B	July 2015	9.1	266.6	—	275.7
Facility C	July 2016	9.2	266.6	—	275.8
Facility D	January 2017	—	80.0	—	80.0
Mezzanine facility	July 2017	—	120.0	—	120.0
Total		18.3	733.2	—	751.5
Rolled up interest mezzanine		—	38.8	—	38.8
		18.3	772.0	—	790.3
Deferred financing costs		(3.8)	(7.2)	—	(11.0)
Total		14.5	764.8	—	779.3

All borrowings have to be repaid at maturity subject to certain mandatory prepayments (e.g. for received considerations for disposals) and repayment of excess cash flow as defined in the facilities agreements.

Fees and other costs directly related to the issuance of the facilities and the amend and extend of August 1, 2013, are deferred and are amortised over the term of maturity of the loans.

Group credit facility

Before the amend and extend, HEMA had a revolving credit facility (RCF) of 70, to expire in July 2014. As a result of the A&E, 55 of the RCF has been extended with three years to July 2017. 15 has not been extended and will mature in July 2014. HEMA currently does not use the RCF.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

16 Borrowings (Continued)

Exposure to market interest rates

The exposure of the Company's borrowings (excluding the shareholder loan, finance leases and bank overdrafts) to interest rate changes and the contractual re-pricing dates before and after the effect of the interest rate swap on the balance sheet dates are as follows:

(in million euros)	2014	2015	2016	2017	2018
Senior facility	602.4	577.6	557.7	—	—
Mezzanine facility	175.6	184.7	194.2	204.2	—
Interest rate swaps	(500.0)	—	—	—	—
Total	<u>278.0</u>	<u>762.3</u>	<u>751.9</u>	<u>204.2</u>	<u>—</u>

The table above is based on the following:

- The mezzanine facility will increase as a result of accrued interest.
- Repayments on the senior facilities will be likely, but is not taken into account, since they depend on the annual cash flows of the company in the future, which are unknown at balance sheet date.
- In 2015, 2016, 2017 and 2018 parts of the facilities reach their due dates and need to be repaid (refer to the tables above in this note). As at 2018 all borrowings are repaid.
- HEMA has hedged an amount of 500 with interest rate swaps, until September 2015. As a result exposure increases significantly from that point. It is expected that the company will enter into new swaps in order to keep the volatility to interest rate changes on a low level. However, future contracts are not taken into account, since they do not exist at balance sheet date.

Covenants

The facilities contain customary covenants that place restrictions on disposals, mergers, acquisitions, investments and the incurrence of debt by the Company and its subsidiaries. In addition, the facilities are subject to two financial covenants: the net debt ratio (net debt over EBITDA) and cash interest cover ratio (EBITDA over cash interest). These covenants were applicable as of the first quarter of 2008. In financial year 2013 the Company has not been in breach with these covenants.

Substantially all of HEMA's assets have been pledged to secure the facilities.

17 Shareholder Loan

The shareholder loan has a principal of 269.6 and carries a fixed interest rate of 13.5% per annum. The interest is added to the principal and will only be paid in cash at the election of the Company's Board of Managing Directors or at redemption. The shareholder loan has a maturity of 49 years and is due June 30 2056. Fees and other costs directly related to the issuance of the shareholder loan are deferred and are amortised over 9 years. The shareholder loan is, with respect to payment rights, redemption and rights of liquidation, winding up and dissolution, subordinated to all other present and future obligations of the Company. In 2009 and 2011 Dutch Lion B.V. made a contribution of respectively 80 and 219.3 to the Company by way of conversion of the shareholder loan into share premium.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

17 Shareholder Loan (Continued)

The movements in the shareholder loan are as follows:

(in million euros)	February 2 2014	February 3 2013
Net opening balance	168.7	146.9
Deferred financing costs	1.1	1.5
Gross opening balance	169.8	148.4
Rolled up interest	24.1	21.4
Gross closing balance	193.9	169.8
Deferred financing costs	(0.8)	(1.1)
Net closing balance	193.1	168.7

18 Other Non-Current Financial Liabilities

(in million euros)	February 2 2014	February 3 2013
Financial lease liabilities	4.1	4.7
Derivative financial instruments	6.4	11.6
Long term lease incentives	14.4	14.5
Total other financial liabilities	24.9	30.8

For more information on derivative financial instruments, see note 24.

Financial lease liabilities

Financial lease liabilities are payables as follows:

(in million euros)	February 2, 2014			February 3, 2013		
	Future minimum lease payments	Interest portion	Present value of minimum lease payments	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	1.8	0.1	1.7	1.8	0.1	1.7
Between one and five years	4.6	0.8	3.8	5.0	0.9	4.2
After five years	0.5	0.2	0.3	0.7	0.3	0.5
Total	6.9	1.1	5.8	7.5	1.3	6.4
Current portion			1.7			1.7
Non-current portion			4.1			4.7
			5.8			6.4

The financial leases primarily relate to trucks used for logistic operations. Lease terms range from 6 to 7 years. At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the operating company specific interest rate applicable for long-term borrowings is used. During financial year 2013, new financial lease contracts are discounted at a rate of 7.8 percent (financial year 2012: 7.9 percent).

The Company has options to purchase the trucks for a nominal amount at the end of the lease agreements. For some contracts the Company has the obligation to purchase the trucks for a nominal amount at the end of the lease term. This obligation is included in the financial lease liabilities.

The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

19 Employee Benefits

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u> (restated)
Balance sheet obligations for		
Retirement benefit obligations	1.3	2.0
Other long-term benefits	<u>5.8</u>	<u>5.9</u>
	7.1	7.9
Current portion	1.2	1.3
Non-current portion	5.9	6.6
Income statement charge for		
Retirement benefit obligations	(0.1)	—
Other long-term benefits	<u>0.7</u>	<u>1.5</u>
	<u>0.6</u>	<u>1.5</u>

Retirement benefit obligations

HEMA operates unfunded defined benefit plans for qualifying employees of its subsidiaries in The Netherlands and Belgium. Under the plans, the employees are entitled to retirement benefits as a percentage of final salary on attainment of an early retirement age of 61 to 63. No other post-retirement benefits are provided to these employees. For the plan in The Netherlands, the expected expiry date is the first quarter of 2015.

Movements in the present value of the defined benefit obligation in the current year were as follows:

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u> (restated)
Opening defined benefit obligation	2.0	3.8
Current service costs	(0.2)	(0.1)
Interest costs	<u>0.1</u>	<u>0.1</u>
	(0.1)	—
Remeasurements		
• Experience gains	—	(0.8)
• Assumptions losses/(gains)	<u>—</u>	<u>—</u>
	—	(0.8)
Contributions from plan participants	—	0.3
Liabilities extinguished on settlements	(0.2)	(1.1)
Benefits paid	<u>(0.4)</u>	<u>(0.2)</u>
Closing defined benefit obligation	<u>1.3</u>	<u>2.0</u>

The amounts classified under liabilities extinguished on settlement relate to lump sum payments to BpFD ('stichting bedrijfstakpensioenfonds voor de detailhandel'). HEMA pays a lump sum to BpFD the moment an employee decides to make use of the plan. After settlement, HEMA has no further legal or constructive obligation to pay further amounts should the BpFD not pay the employee benefits.

Management does not expect substantial changes in the contribution to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

19 Employee Benefits (Continued)**Multi-employer plan**

The Company has a multi-employer plan that should be accounted for as a defined benefit plan. Virtually all employees of the Company are covered by such a plan that is financed by employees and employer. The plan is insured with BpFD and is a defined benefit scheme in respect of the retirement pensions. Paid pensions are related to the employee's average salary and the total employment period covered by the plan. This means that the Company should report its proportional share of the defined benefit commitments and the assets under management and expenses associated with the plan in the same manner as any other defined benefit plan, and provide the information required for such plans.

BpFD, however, is unable to provide sufficient information to report the Company's proportional share of the defined-benefit commitments and the assets under management and expense associated with the plan. There is also no agreement on how any surplus or deficit should be distributed to the participants in the pension plan. As a result, the scheme is reported as a defined contribution plan and accordingly cannot provide the disclosure requirements in respect of defined-benefit plans in IAS 19 'Employee Benefits'.

Long term employee benefits

The company provides a jubilee plan for all active employees under the collective labour agreement. The most recent actuarial valuations of the present value of the long term employee benefits were carried out at February 2, 2014 by independent actuaries.

Movements in the present value of the jubilee plan obligation in the current year were as follows:

(in million euros)	February 2 2014	February 3 2013
Opening obligation	5.9	5.0
Current service costs	0.3	0.3
Interest costs	0.2	0.2
Actuarial losses	0.2	1.0
Benefits paid	(0.8)	(0.6)
Closing obligation	<u><u>5.8</u></u>	<u><u>5.9</u></u>

The amounts recognised in the income statement are as follows:

(in million euros)	2013	2012
Current service costs	0.3	0.3
Interest costs	0.2	0.2
Actuarial losses	0.2	1.0
Total, included in labour costs (note 5) and financial expenses (note 6)	<u><u>0.7</u></u>	<u><u>1.5</u></u>

The principal assumptions used for the purposes of the actuarial valuations were as follows:

(in million euros)	February 2 2014	February 3 2013
Discount rate(s)	2.6%	2.6%
Expected rate(s) of salary increase	<u>2.0%</u>	<u>2.0%</u>

Five year history of retirement benefit obligation and jubilee plan

The assumptions used in the actuarial calculations of the defined benefit require a large degree of judgement. Actual experience may differ from the assumptions made. The following table provides a

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

19 Employee Benefits (Continued)

summary of the defined benefit obligations and adjustments arising from changes in experience and assumptions over the past five years:

<u>(in million euros)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Present value of defined benefit obligations					
• Retirement benefit obligation	1.3	2.0	3.8	5.4	7.4
• Jubilee plan	<u>5.8</u>	<u>5.9</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total obligation	<u>7.1</u>	<u>7.9</u>	<u>8.8</u>	<u>10.4</u>	<u>12.4</u>
Experience and assumptions (gains) / losses on defined benefit obligations					
• Retirement benefit obligation	—	(0.8)	(0.3)	(0.2)	(0.3)
• Jubilee plan	<u>0.2</u>	<u>1.0</u>	<u>0.1</u>	<u>(0.0)</u>	<u>0.1</u>
Total loss / (gain)	<u>0.2</u>	<u>0.2</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>(0.2)</u>

20 Provisions

The table below specifies the change in total provisions (current and non-current):

<u>(in million euros)</u>	<u>Restructuring</u>
As of February 3, 2013	
Current portion	—
Non-current portion	0.1
Charged/credited to the income statement	
Additions charged to income	—
Used during the year	—
Release to income	—
Interest accretion	—
Closing carrying amount	0.1
As of February 2, 2014	
Current portion	—
Non-current portion	<u>0.1</u>
	<u>0.1</u>

Restructuring

The provision for restructuring and termination costs represents the present value of management's best estimate of the direct costs of the restructuring that are not associated with the ongoing activities of HEMA, including termination benefits.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

21 Trade and Other Payables

(in million euros)	February 2 2014	February 3 2013
Trade payable	174.8	177.5
Accrued expenses	59.9	57.4
Payroll taxes, social security and VAT	33.1	13.2
Amounts due to related parties	16.6	15.0
Payroll accruals	40.4	41.8
Other	11.6	10.7
Total trade and other payables	<u>336.4</u>	<u>315.6</u>

22 Other Financial Liabilities

(in million euros)	February 2 2014	February 3 2013
Financial lease liabilities—current portion	1.7	1.7
Interest	3.5	2.4
Derivative financial instruments	0.5	2.4
Total other financial liabilities	<u>5.7</u>	<u>6.5</u>

23 Cash Flow

The following table presents a reconciliation between the cash flow statements and the cash and cash equivalents as presented in the consolidated balance sheet:

(in million euros)	February 2 2014	February 3 2013
Cash and cash equivalents at the beginning of the year	162.3	134.4
Net cash from operating, investing and financing activities	13.6	27.9
Cash and cash equivalents at the end of the year	<u>175.9</u>	<u>162.3</u>

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet. Also see note 14.

24 Financial Risk Management and Financial Instruments

Financial risk management

HEMA's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on HEMA's financial performance and capital. HEMA uses derivative financial instruments solely for the purpose of hedging exposure which corresponds to managing the interest rate and foreign exchange rate risks arising from the Company's operations and its sources of finance. HEMA does not enter into derivative financial instruments for speculative purposes.

HEMA's primary market risk exposures relate to foreign currency exchange rate and interest rate. In order to manage the risk arising from these exposures, various financial instruments may be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)**Foreign exchange rate risk**

The international purchase activities expose HEMA to a foreign cash flow exchange risk. It is HEMA's policy to cover foreign exchange transaction exposure in relation to existing firm purchase commitments. To protect the value of future foreign currency cash flows, HEMA enters into forward contracts.

- Foreign currency sensitivity analysis—The total purchasing volume in U.S. dollar and Hong Kong dollar is approximately 115 million euro. Assuming the Euro strengthens (weakens) by 1% against the U.S. dollar and Hong Kong dollar the direct result on cost of sales would be a decrease (increase) of circa 1.1 million euro. Market conditions determine if these changes actually occur and whether there is a simultaneous, offsetting effect on selling prices.

Interest rate risk

HEMA's interest rate risk arises primarily from its debt. To manage interest rate risk, HEMA has an interest rate management policy aimed at reducing volatility in its interest expense. HEMA's financial position is largely fixed by long-term debt issues and the use of derivative financial instruments such as interest rate swaps. As at February 2, 2014, after taking into account the effect of interest rate swaps, approximately 64 percent of HEMA's long term borrowings are at a fixed rate of interest.

- Interest rate sensitivity analysis—As a result of the interest rate swap, changes in EURIBOR only have an impact on the non-hedged part of the debt (36 percent). A change of 1%-point in EURIBOR has an impact of 2.8 on financial expenses and cash flow.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments as well as wholesale customers including outstanding receivables and committed purchase transactions. For banks and financial institutions only independently rated parties with a minimum rating of A are accepted. For wholesale customers contracts of guarantee are used. Also the credit quality is monitored bi-weekly. HEMA has no significant concentrations of credit risk. Sales to retail customers are settled in cash or by use of a credit card of one of the major credit card companies.

The majority of HEMA's past due but not impaired financial assets as of February 2, 2014, consists of receivables and is past due less than three months. The concentration of credit risk with respect to receivables is limited as it relates to the deliveries to the franchisees (there is no significant backlog in payments). As a result, management believes there is no further credit risk provision required in excess of the normal individual and collective impairment (based on an aging analysis) performed as of February 2, 2014. For further discussion on HEMA's receivables, see note 12.

Liquidity risk

HEMA manages its liquidity risk on a consolidated basis with cash provided from operating activities being a primary source of liquidity in addition to debt issuances in the capital markets, committed and uncommitted credit facilities, and available cash. HEMA manages short-term liquidity based on projected cash flows on a daily basis. As of February 2, 2014, HEMA has a multi-currency revolving credit facility of 70 (from July 2014: 55), which can be drawn on for working capital and general corporate purposes and 175.9 of cash balances available to manage its liquidity. Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends and scheduled debt repayment requirements for the next 12 months and the foreseeable future.

The following tables summarise the maturity profile of the Company's derivative and non-derivative financial liabilities as of February 2, 2014, and February 3, 2013, respectively, based on contractual undiscounted payments. Regarding the table below please note that the shareholder loan including

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

accrued interest is not included since it is not likely that the shareholder loan will be paid at maturity date (for more details regarding the shareholder loan refer to note 17).

(in million euros)	Net carrying amount	Contractual cash flows			
		Within 1 year	Between 1 and 5 years	After 5 years	Total
February 2, 2014					
Non derivative financial liabilities	1,108.0	398.9	931.9	0.5	1,331.3
Borrowings	755.0	49.9	927.3	—	977.2
Finance lease liabilities	5.8	1.8	4.6	0.5	6.9
Short term borrowings	10.8	10.8	—	—	10.8
Trade and other payables	336.4	336.4	—	—	336.4
Derivative financial liabilities	6.6	6.3	0.8	—	7.1
Derivatives inflow (including interest)	—	(60.7)	(0.5)	—	(61.2)
Derivatives outflow (including interest)	—	67.0	1.3	—	68.3
	<u>1,114.6</u>	<u>405.2</u>	<u>932.7</u>	<u>0.5</u>	<u>1,338.4</u>

(in million euros)	Net carrying amount	Contractual cash flows			
		Within 1 year	Between 1 and 5 years	After 5 years	Total
February 3, 2013					
Non derivative financial liabilities	1,101.3	379.6	887.3	0.7	1,267.6
Borrowings	761.0	43.9	882.3	—	926.2
Finance lease liabilities	6.4	1.8	5.0	0.7	7.5
Short term borrowings	18.3	18.3	—	—	18.3
Trade and other payables	315.6	315.6	—	—	315.6
Derivative financial liabilities	14.0	9.7	3.9	—	13.6
Derivatives inflow (including interest)	—	(56.6)	(1.4)	—	(58.0)
Derivatives outflow (including interest)	—	66.2	5.3	—	71.6
	<u>1,115.3</u>	<u>389.3</u>	<u>891.2</u>	<u>0.7</u>	<u>1,281.1</u>

All instruments held at the reporting date and for which payments are already contractually agreed have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curves interest rates as of February 2, 2014, and February 3, 2013, respectively.

Capital risk management

The Company's primary objective when managing capital is optimisation of its debt and equity balance in order to sustain the future development of the business and to maximise shareholder value. The Company is restricted by capital requirement. The Company cannot directly or indirectly, redeem, retire or otherwise withdraw any capital contributions made to the capital reserves. Nor can the Company convert such capital

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

contributions into shareholder loans or redeem, purchase, retire or otherwise acquire for consideration any shares or warrants issued. The capital structure of the Company consists of the following elements:

(in million euros)	Note	February 2 2014	February 3 2013
Total borrowings (excluding unamortised finance costs)	16	780.2	790.3
Financial lease liabilities	18	5.8	6.4
Less: cash & cash equivalents	14	(175.9)	(162.3)
Net debt		610.1	634.4
Shareholder loan (excluding unamortised finance costs)	17	193.9	169.8
Equity	15	337.5	347.2
Total capital		<u>1,141.5</u>	<u>1,151.3</u>

Financial instruments—categories

The following tables present the carrying amounts for each of the categories of financial instruments as at February 2, 2014:

(in million euros)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
February 2, 2014				
Assets as per balance sheet				
Trade and other receivable excluding prepayments	49.2	—	—	49.2
Cash and cash equivalents	175.9	—	—	175.9
Total	<u>225.1</u>	<u>—</u>	<u>—</u>	<u>225.1</u>

(in million euros)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised costs	Total
February 2, 2014				
Liabilities as per balance sheet				
Shareholder loan	—	—	193.1	193.1
Borrowings (current)	—	—	10.8	10.8
Borrowings (non-current)	—	—	755.0	755.0
Financial lease liabilities	—	—	5.8	5.8
Derivative financial instruments	—	6.9	—	6.9
Trade and other payables	—	—	336.4	336.4
Total	<u>—</u>	<u>6.9</u>	<u>1,301.1</u>	<u>1,308.0</u>

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

The following tables present the carrying amounts for each of the categories of financial instruments at February 3, 2013:

(in million euros)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
February 3, 2013				
Assets as per balance sheet				
Trade and other receivable excluding prepayments	51.0	—	—	51.0
Cash and cash equivalents	162.3	—	—	162.3
Total	213.3	—	—	213.3

(in million euros)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised costs	Total
February 3, 2013				
Liabilities as per balance sheet				
Shareholder loan	—	—	168.7	168.7
Borrowings (current)	—	—	18.3	18.3
Borrowings (non-current)	—	—	761.0	761.0
Financial lease liabilities	—	—	6.4	6.4
Derivative financial instruments	—	14.0	—	14.0
Trade and other payables	—	—	315.6	315.6
Total	—	14.0	1,270.0	1,284.0

Financial instruments—fair values

Of HEMA's categories of financial instruments, only derivatives are measured at fair value using level 2. These derivatives are valued using quoted prices as input. These quoted prices are observable in the market, either directly (i.e. as prices) or indirectly (derived from prices). The fair value of the derivative instruments is based on the rates and quotations obtained from third parties, credit risk and the company's own risks of non-performance.

The carrying amount of receivables, cash and cash equivalents, accounts payable and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss.

There is no active liquid market for the Company's bank loans and consequently the fair value of the bank loans cannot be determined based on quoted market prices. Therefore, the fair value of the bank loans has been estimated using information on current secondary trading levels. Based on this information the approximate fair value of the bank loans would be 765.0 (2012: 747.2) versus nominal 780.2 (2012: 790.3).

Offsetting financial assets and liabilities

Bank overdrafts that are part of HEMA's cash-pool arrangements are offset with bank balances that are part of this arrangement. As at February 2, 2014 and February 3, 2013 nothing was offset, since all balances within the cash-pool were positive.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

Derivatives

The number and maturities of derivative contracts, the fair values and the qualification of the instruments for accounting purposes are presented in the next table:

(in million euros)	February 2, 2014			February 3, 2013		
	# contracts	Assets	Liabilities	# contracts	Assets	Liabilities
Interest rate swaps—cash flow hedges						
Within one year	1	—	(5.0)	—	—	—
Between one and five years . .	1	—	(1.4)	1	—	(11.6)
After five years	—	—	—	—	—	—
Total interest rate swaps—cash flow hedges	2	—	(6.4)	1	—	(11.6)
Foreign currency forwards—cash flow hedges						
Within one year	62	0.3	(0.5)	136	—	(2.4)
Between one and five years . .	—	—	—	—	—	—
After five years	—	—	—	—	—	—
Foreign currency forwards—cash flow hedges	62	0.3	(0.5)	136	—	(2.4)
Total derivative financial instruments	64	0.3	(6.9)	137	—	(14.0)

Interest rate swaps designated as cash flow hedges are used to hedge cash flow EURIBOR interest rate risk on floating rate debt. Foreign currency forwards designated as cash flow hedges are used to hedge the variability in future cash flows denominated in foreign currencies.

The notional amounts of the derivative financial instruments outstanding as of February 2, 2014, are summarised below. The summary is based on the currency of the exposures being hedged and includes the gross amount of all notional values for outstanding contracts.

(in million original currencies)	HKD	GBP	USD	EUR
Interest rate swaps				
Within one year	—	—	—	(500.0)
Between one and five years	—	—	—	(500.0)
After five years	—	—	—	—
Foreign currency forwards				
Within one year	63.0	—	73.0	—
Between one and five years	—	—	—	—
After five years	—	—	—	—

As of the balance sheet date the forward contracts and hedge instruments are valued at fair value. HEMA has opted for hedge accounting for its derivatives. Gains and losses recognised in cash flow hedging reserve in equity will be released to the income statement over the remaining term of the interest rate swap. In 2013 2.6 (gain) fair value changes were recognised in the income statement. The amount that was recognised in equity of the interest rate swaps and foreign currency contracts was 6.7 (gain).

The stated value of the financial instruments is based on the mark-to-market value and is derived from the mid-market price as of the balance sheet date which is obtained from third parties.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

25 Related Party Transactions

Lion Capital LLP ('Lion Capital') is a leading private equity firm focused on the consumer sector. Entities managed by and/or related to Lion Capital own, or have an economic interest in (derivatives related to) capital and loan instruments of HEMA, HEMA's parent Dutch Lion B.V. and/or HEMA's ultimate shareholder Dutch Lion Coop. HEMA and Lion Capital have entered into a monitoring and oversight agreement under which Lion Capital provides consultancy and advisory services for an annual advisory fee. Dutch Lion Coöperatief U.A. produces financial statements available for public use.

HEMA has intercompany balances with its parent companies as follows (see note 12 and 21):

(in thousand euros)	February 2 2014	February 3 2013
Dutch Lion Management B.V.	114	79
Dutch Lion Coöperatief U.A.	2,871	2,797
Dutch Lion B.V.	(16,756)	(15,050)
Stichting Administratiekantoor Dutch Lion A	184	159
Stichting Administratiekantoor Dutch Lion B	405	343
Stichting Administratiekantoor Dutch Lion C	242	192
Total intercompany	<u>(12,940)</u>	<u>(11,480)</u>

The amounts due from parent companies relate to a recharge of finance costs and invoices that have been paid by HEMA on behalf of these companies. The amount payable to Dutch Lion B.V. relates to corporate income taxes paid by HEMA on behalf of the fiscal unity and invoices paid by HEMA on behalf of Dutch Lion B.V. The balances will be settled at the time of an exit and accordingly it is uncertain when the amounts are settled. Considering the fact that it is uncertain when these amount are repaid the receivable is presented under the current assets and liabilities.

HEMA's parent Dutch Lion B.V. issued a shareholderloan. The interest on this shareholderloan is added to the principal of the loan. Refer to note 17 for more information.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company determined that key management personnel consists of members of the management board. The compensation paid or payable to key management for employee services is shown below:

(in million euros)	2013	2012
Salaries and other short-term employee benefits	2.5	1.8
Termination benefits	—	—
Share based payments (see note 26)	—	—
Post-employment benefits	0.3	0.2
	<u>2.8</u>	<u>2.0</u>

These amounts are including a, temporary, tax imposed on salaries above € 150.000 ("crisisheffing"). In 2013 HEMA has accrued 0.2 for this tax (2012: 0.2).

See note 18 to the company financial statements for information on the remuneration of the board of managing directors.

26 Share-Based Payment

Following the acquisition of HEMA on 6 July 2007, circa 70 senior managers of HEMA were offered the possibility to invest in Dutch Lion Coop, the ultimate parent of the Company. Under the plan introduced in February 2008, eligible management was offered, subject to certain terms and conditions, an investment in financial instruments of Dutch Lion Coop at the same conditions as Lion Capital. In December 2008 the

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

26 Share-Based Payment (Continued)

plan was amended to reflect the new fiscal legislation related to this investment. The outstanding rights before and after the amendments were equal to each other. At the same time, but not related, a relatively small amount of additional investment was offered to the senior managers that participated in the plan at the same conditions as the earlier investment. All financial instruments are issued through foundations (Dutch: administratiekantoren) that hold the voting rights of the underlying instruments. The members of the board of managing directors were part of the senior managers who were offered the possibility to invest. The investment contains a loan component and a membership right component. The investment in the loan component is disclosed by HEMA in accordance with IAS 24 'Related party transactions'. The membership right component falls under the scope of IFRS 2 'Share based payments'.

The total amounts invested by senior management with respect to the plan are:

(in million euros)	February 2 2014	February 3 2013
Amount of outstanding balances at beginning of the year	0.9	0.9
Amounts purchased by senior management	0.1	—
Amounts sold by senior management	(0.1)	—
Amount of outstanding balances at the end of the year	<u>0.9</u>	<u>0.9</u>

According to IFRS 2 the membership right component of the investment is considered to be an equity settled share-based payment transaction, since HEMA has no obligation to settle the share-based payment transaction (Dutch Lion Coop the ultimate parent of the Company has the obligation to settle). HEMA has prepared a valuation of the investment of the managers at each grant date. The fair market value applied for the underlying membership rights is based on the shareholder value, which has been derived from the Enterprise Value ('EV') for the Company. For the determination of the fair value, EV/EBITDA multiples are applied which are based on a market approach by using trading multiples of comparable companies as a benchmark. No expense with respect to the investment has been incorporated in the income statement.

27 Operating Leases

HEMA leases all of its stores, as well as distribution centres, offices and other assets, under operating lease arrangements. Various properties leased under operating leases are (partially) subleased to third parties. The aggregate amounts of HEMA's minimum lease commitments payable to third parties under non-cancellable operating lease contracts are disclosed in the table below.

(in million euros)	February 2 2014	February 3 2013
Within one year	94.9	87.6
Between one and five years	272.5	262.7
After five years	221.6	233.3
Total	<u>589.0</u>	<u>583.6</u>

Commitments for rent exclude total sub-lease payments to be received amounting to 12.6 (2012: 12.6).

Certain store leases provide for contingent additional rentals based on a percentage of sales. Substantially all of the store leases have renewal options for additional terms. None of HEMA's leases impose restrictions on the ability of HEMA to pay dividends, incur additional debt, or enter into additional leasing arrangements.

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

27 Operating Leases (Continued)

The annual costs of HEMA's operating leases from continuing operations are disclosed in the table below.

(in million euros)	2013	2012
Minimum rentals	87.4	83.5
Sublease income	(4.3)	(4.2)
Total	<u>83.1</u>	<u>79.3</u>

28 Commitments and Contingencies

The contracted capital expenditure and purchase commitments at the end of the reporting year but not yet incurred is as follows

(in million euros)	Purchase (volume) commitments	Capital expenditure commitments P, P&E	Capital expenditure commitments Intangible assets	Total
No later than 1 year	152.3	9.5	1.8	163.6
Later than 1 year but no later than 5 years	—	—	—	—
Later than 5 years	—	—	—	—
Total	<u>152.3</u>	<u>9.5</u>	<u>1.8</u>	<u>163.6</u>

Bank guarantees totalling of 3.3 have been issued by HEMA mainly relating to the rent of the headquarters (1.3), the customs (1.1) and other (0.9).

29 Independent Auditor's Fee

The independent auditor's fees paid per category can be summarised as follows:

(in thousand euros)	2013	2012
Audit of the financial statements	202.7	202.7
Other audit engagements	23.7	23.7
Tax consultancy	182.0	134.4
Other non-audit engagements	—	9.0
Total	<u>408.4</u>	<u>369.8</u>

30 List of Subsidiaries

The following are HEMA's significant subsidiaries as of February 2, 2014. Unless otherwise indicated these are wholly owned consolidated subsidiaries.

The Netherlands

HEMA Bakkerijen B.V.*, Amsterdam
HEMA Duitsland B.V.*, Amsterdam
HEMA Financial Services B.V.*, Amsterdam
HEMA financiering B.V., Amsterdam

Europe

HEMA België B.V.B.A.*, Ukkel, Belgium
HEMA Deutschland GmbH, Essen

* Pursuant to section 403 B2 DCC, HEMA has issued declarations of liability for these subsidiaries.

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

30 List of Subsidiaries (Continued)

HEMA GmbH & CO KG**, Essen
HEMA France S.A.S., Paris, France
HEMA Retail Limited, London, United Kingdom
HEMA Spain S.L., Barcelona, Spain

Rest of the world

HEMA Far East Ltd., Hong Kong

31 Employees

The table below shows the average number of employees and FTE for the years 2013 and 2012.

Number of employees and full-time equivalents	2013		2012	
	Employees	FTE	Employees	FTE
The Netherlands	10,232	4,340	10,215	4,428
Belgium	857	576	853	589
Germany	113	57	122	62
Luxembourg	27	18	28	18
France	207	167	130	98
Total	<u>11,436</u>	<u>5,157</u>	<u>11,346</u>	<u>5,194</u>

For salaries, pensions and social security charges, please refer to note 5.

For information on the remuneration of the board of managing directors and the Supervisory Board see note 18 to the company financial statements.

** HEMA GmbH & Co. KG, Essen, Germany, makes use of the exemption clause under Section 264b of the German Commercial Code regarding the preparation, auditing and publication of its financial statements.

INDEPENDENT AUDITOR'S REPORT to the General Meeting of HEMA B.V.

Report on the Financial Statements

We have audited the accompanying financial statements 2013 of HEMA B.V., Amsterdam as set out on pages 32 to 99. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 2 February 2014, the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 2 February 2014, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management Board's Responsibility

The management board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report from the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of HEMA B.V. as at 2 February 2014, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the Company Financial Statements

In our opinion, the company financial statements give a true and fair view of the financial position of HEMA B.V. as at 2 February 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other Legal and Regulatory Requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report from the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and

whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Report from the Management Board, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Rotterdam, 28 March 2014
PricewaterhouseCoopers Accountants N.V.

Original signed by J.G. Bod RA

The above auditor's report is the original auditor's report that was issued on March 28, 2014 with respect to the statutory financial statements for the period ending February 2, 2014. These financial statements also contained the management report and company financial statements. For purposes of the Offering Memorandum the management report and company financial statements have been omitted. Furthermore the page references in the original auditor's report refer to the statutory financial statements, which page reference compares to pages F-3 to F-46 in this Offering Memorandum.

STATUTORY APPROPRIATION OF THE RESULT

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to article 25 of the articles of association the income, after reservations made by the Board of Managing Directors in consultation with the Supervisory Board, will be available for distribution to the common shareholders upon approval at the General Meeting of Shareholders.

Amounts not paid in the form of dividends will be added to accumulated general reserves. Consequently, net profit according to the company statements of operations is fully attributable to common shareholders. The proposed profit-sharing statement reads as follows:

<u>(in million euros)</u>	<u>February 2 2014</u>	<u>February 3 2013</u>
Net (loss)/profit	(16.4)	5.8
Dividends	<u>—</u>	<u>—</u>
Charged to the general reserves	<u>(16.4)</u>	<u>5.8</u>

HEMA B.V.
Annual Report 2012

This annual report is adopted by the general meeting of shareholders on April 19, 2013.
Registration number Chamber of Commerce ('Kamer van Koophandel') 34215639.

HEMA B.V.
CONSOLIDATED INCOME STATEMENT
FROM JANUARY 30, 2012 UP TO AND INCLUDING FEBRUARY 3, 2013
(in million euros)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Net sales	4	1,152.9	1,149.5
Cost of sales		(631.9)	(645.7)
Gross profit		521.0	503.8
Operating expenses	5	(435.1)	(398.5)
Operating income		85.9	105.3
Finance costs	6	(71.6)	(83.7)
Income before income taxes		14.3	21.6
Income taxes	7	(7.9)	(10.2)
Net profit		6.4	11.4
Attributable to			
Shareholder		6.4	11.4
Net profit		6.4	11.4

The accompanying notes on pages F-57 to F-93 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM JANUARY 30, 2012 UP TO AND INCLUDING FEBRUARY 3, 2013
(in million euros)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Net profit		6.4	11.4
Other comprehensive income/(loss)			
Cash-flow hedges, net of tax	15	<u>5.0</u>	<u>(2.6)</u>
Other comprehensive income/(loss) for the year, net of tax		5.0	(2.6)
Total comprehensive income for the year		11.4	8.8
Attributable to			
Shareholder		<u>11.4</u>	<u>8.8</u>
Total comprehensive income for the year		<u>11.4</u>	<u>8.8</u>

The accompanying notes on pages F-57 to F-93 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED BALANCE SHEET
AS AT FEBRUARY 3, 2013
(in million euros, after appropriation of current year result)

	Note	February 3 2013	January 29 2012
ASSETS			
Property, plant and equipment	8	201.2	174.2
Intangible assets	9	1,174.4	1,172.9
Deferred tax assets	7	—	0.1
Other non-current assets	10	1.6	1.0
Total non-current assets		1,377.2	1,348.2
Inventories	11	147.8	150.8
Trade and other receivables	12	69.0	64.5
Other current financial assets	13	—	3.2
Cash and cash equivalents	14	162.3	134.4
Total current assets		379.1	352.9
Total assets		1,756.3	1,701.1
Share capital	15	—	—
Share premium	15	408.2	408.2
Other reserves	15	(7.9)	(12.4)
Retained earnings	15	(53.2)	(60.0)
Total equity		347.2	335.8
LIABILITIES			
Borrowings	16	761.0	767.9
Shareholder loan	17	168.7	146.9
Other financial liabilities	18	30.8	36.2
Employee benefits	19	7.9	8.8
Deferred tax liabilities	7	99.7	101.7
Provisions	20	0.1	0.2
Total non-current liabilities		1,068.2	1,061.7
Trade and other payables	21	315.6	284.2
Borrowings	16	18.3	7.8
Other financial liabilities	22	6.5	3.8
Current tax liabilities	7	0.5	7.8
Total current liabilities		340.9	303.6
Total equity and liabilities		1,756.3	1,701.1

The accompanying notes on pages F-57 to F-93 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 30, 2012 UP TO AND INCLUDING FEBRUARY 3, 2013
(in thousand euros)

	Note	Attributable to the shareholders				Total equity
		Share capital	Share premium	Other reserves	Retained earnings	
Balance as of January 30, 2011		18	188,900	(9,771)	(71,515)	107,632
Comprehensive income						
Profit for the year		—	—	—	11,441	11,441
Other comprehensive income						
Cash flow hedges, net of tax		—	—	(2,597)	—	(2,597)
Total comprehensive income		—	—	(2,597)	11,441	8,844
Transactions with owners						
Share premium contribution		—	219,324	—	—	219,324
Change in other reserves		—	—	—	—	—
Total transactions with owners		—	219,324	—	—	219,324
Balance as of January 29, 2012		18	408,224	(12,368)	(60,074)	335,800
Comprehensive income						
Profit for the year		—	—	—	6,406	6,406
Other comprehensive income						
Cash flow hedges, net of tax		—	—	4,952	—	4,952
Change in other reserves		—	—	(478)	478	—
Total comprehensive income		—	—	4,474	6,884	11,358
Transactions with owners						
Share premium contribution		—	—	—	—	—
Change in other reserves		—	—	—	—	—
Total transactions with owners		—	—	—	—	—
Balance as of February 3, 2013		18	408,224	(7,894)	(53,190)	347,158

The accompanying notes on pages F-57 to F-93 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF CASH FLOW
FROM JANUARY 30, 2012 UP TO AND INCLUDING FEBRUARY 3, 2013
(in million euros)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Cash flow from operating activities			
Net profit		6.4	11.4
Income tax recognised in the income statement		7.9	10.2
Finance costs recognised in the income statement	6	71.6	83.7
Depreciation and amortization of non-current assets	5	53.6	47.1
Operating cash before changes in working capital		139.5	152.4
Movements in working capital			
• (Increase) in trade and other receivables	12	(4.5)	(7.7)
• Decrease/(increase) in inventories	11	3.0	(2.0)
• Increase/(decrease) in trade and other payables	21	31.4	(14.9)
• Decrease in provisions	19/20	(1.0)	(1.7)
• Change in other assets/liabilities		(5.4)	(10.2)
Cash generated from operations		163.0	115.9
Income taxes paid		(11.4)	(2.2)
Net cash generated by operating activities		151.6	113.7
Cash flow from investing activities			
Payments for property, plant & equipment	8	(66.2)	(47.1)
Payments for intangible assets	9	(14.5)	(9.8)
Net cash used in investing activities		(80.7)	(56.9)
Cash flow from financing activities			
Interest paid	6	(34.6)	(45.4)
Interest received	6	0.5	0.8
Repayments of borrowings	16	(7.8)	(10.0)
Payments for financial leases	8	(1.1)	(1.6)
Other		—	—
Net cash generated by financing activities		(43.0)	(56.2)
Net cash from operating, investing and financing activities		27.9	0.6
Cash and cash equivalents at the beginning of the year	14	134.4	133.8
Cash and cash equivalents at the end of the year	14	162.3	134.4

The accompanying notes on pages F-57 to F-93 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED SHAREHOLDER FUNDING
AS AT FEBRUARY 3, 2013
(in million euros, after appropriation of current year result)

	February 3 2013	January 29 2012
Shareholder loan	168.7	146.9
Group equity	<u>347.2</u>	<u>335.8</u>
Total shareholder funding	<u>515.9</u>	<u>482.7</u>

The accompanying notes on pages F-57 to F-93 are an integral part of these consolidated financial statements.

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in million euros, unless otherwise stated)

1 The Company and its Operations

HEMA B.V. ('HEMA' or the 'Company') is a limited liability company with its registered seat and head office in Amsterdam, the Netherlands.

The principal activities of the Company are retail operations in the Netherlands, Belgium, Luxembourg, Germany and France. The activities of HEMA are subject to seasonal influences. HEMA's business generally experiences an increase in net sales in the fourth quarter of each year.

HEMA's shares are ultimately held 100% by Dutch Lion Coöperatief U.A. ('Dutch Lion Coop'), an investment company which is owned by several investment funds advised by Lion Capital.

Before September 11 2007 the name of HEMA was HEMA Holding B.V. ('HEMA Holding'). The name was changed following a legal merger between HEMA Holding and HEMA B.V. ('HEMA (old)'), with HEMA Holding as the surviving entity. On July 6, 2007 HEMA (old) was acquired by HEMA Holding from its then owner Maxeda B.V. ('Maxeda'). HEMA Holding accounted for the assets and liabilities of HEMA (old) based on the fair value of these assets and liabilities in accordance with IFRS 3 '**Business Combinations**'.

2 Significant Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union.

The financial information relating to HEMA is presented in the consolidated financial statements. Accordingly, in accordance with section 402, part 9, book 2 of the Dutch Civil Code ('B2 DCC'), the company financial statements only contain an abridged income statement.

The consolidated financial statements have been prepared on the historical cost convention, except for the revaluation of financial instruments. The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

HEMA's reporting calendar is based on 12 periods of four weeks or five weeks. The financial year is a 52- or 53- week year ending on the Sunday nearest to January 31. Financial year 2012 consists of 53 weeks and ended on February 3, 2013. The comparable financial year 2011 consisted of 52 weeks and ended on January 29, 2012.

Changes in accounting policies and disclosures

(a) Standards and interpretations effective in the current year

In the current year the Company has adopted the following new and amended International Financial Reporting Standards:

- amendments to IFRS 7, '**Financial instruments. Disclosures**' on derecognition, effective from July 1, 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Company applies the amendment to IFRS 7 from January 30, 2012. This does not have a material impact on the financial statements of HEMA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)**(b) Standards, amendments and interpretations to existing standards that are not yet effective, have not been early adopted by the Company and are endorsed by the European Union**

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting years beginning on or after February 4, 2013, but the Company has not early adopted them:

- amendment to IAS 1, '**Financial statement presentation**', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Company will apply the amendment to IAS 1 from February 4, 2013. This standard is not expected to have a material impact on the financial statements of HEMA.
- amendment to IAS 19, '**Employee Benefits**'. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The Company will apply the amendment to IAS 1 from February 4, 2013. This standard is not expected to have a material impact on the financial statements of HEMA.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities over which the Company has control. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by HEMA.

All intra-group transactions balances income and expenses are eliminated in full on consolidation.

The consolidated statement of cash flow has been prepared using the indirect method. Cash flows in foreign currencies are restated into euros at the date of the cash flow.

HEMA's significant subsidiaries are listed in note 30.

Foreign currency translation**Functional and presentation currency**

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economy environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using an average rate that approximates the actual rate at the date of the transaction. Whenever exchange rates fluctuate significantly, the exchange rates prevailing at the dates of the transactions are used. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the hedge reserve in equity as qualifying cash flow hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(all amounts in million euros, unless otherwise stated)****2 Significant Accounting Policies (Continued)****Group companies**

Some subsidiaries have a functional currency that is different from the presentation currency. None of these entities has a currency of a hyperinflationary economy. The results and financial position of all these entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in the cash flow hedging reserve in equity.

Net sales

HEMA generates and recognises net sales to retail customers at the point of sale in its stores and upon delivery of products to internet customers. HEMA also generates revenues from the sale of products to retail franchisees, which are recognised upon delivery. HEMA recognises franchise fees as revenue when all material services relating to the contract have been substantially performed. Discounts earned by customers are recognised as a reduction of sales at the time of the sale. Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased. However, for certain products or services, such as the sale of insurance contracts and customised photo books, HEMA acts as an agent and consequently records the amount of commission income in its net sales. Net sales exclude value-added taxes.

Cost of sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to their present location and condition. These costs include costs of purchasing, styling, quality control, storing, rent, salaries and transporting products to the extent it relates to bringing the inventories to their present location and condition. The depreciation costs are allocated to the inventory, however when the inventory is sold the depreciation costs (of the costs mentioned above) are recorded under depreciation and not under the cost of sales.

Finance cost

Finance cost covers all interest income and expense attributable to the reporting year on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable. This item also includes gains and losses on hedging activities and amortisation of capitalised financing costs.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that are applicable for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)**Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the income statement, except when they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset. Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The estimated useful lives of property, plant and equipment are:

Leasehold improvements	10 years
Technical installations	10 years
Hardware	3–5 years
Furniture & fixtures	7 years
Trucks & cars	7 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

Assets that are expected to have a shorter useful life are depreciated in this shorter period.

Depreciation of assets subject to finance leases and leasehold improvements is calculated on a straight-line basis over either the lease or the estimated useful life of the asset, whichever is shorter.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of HEMA at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with HEMA's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the year in which they are incurred.

Intangible assets

Goodwill and impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of a business combination. Each unit (or group of units) to which the goodwill is allocated, represents the lowest level within the Company at which the goodwill is monitored for internal management purposes and that is not larger than a segment. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. An impairment loss is recognised for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash generating unit's fair value less cost to sell and its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit. An impairment loss recognised for goodwill is not reversed in subsequent years.

Other intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Brand

Brands with indefinite useful lives are tested for impairment on an annual basis. Brands are considered as corporate assets and can be allocated on a reasonable and consistent basis to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the brand arose. The Company allocates brands to operating segment in which it operates.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

Customer relationships

The customer relationships have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives.

Computer software and others

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Key Money has a definite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the key money over their estimated useful lives.

Amortisation is computed using the straight-line method based on the estimated useful lives, which are as follows:

Customer relationships	10–13 years
Software	3–10 years
Other	3–12 years

For software, lives in excess of six years are used only when management is satisfied that the lives of these assets will clearly exceed that year. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. HEMA assesses on a yearly basis whether there is any indication that other intangible assets may be impaired.

Impairment of non-current assets other than goodwill and brand

HEMA assesses on a yearly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, HEMA estimates the recoverable amount of the asset. Where it is not possible to estimate the recoverable amount of an individual asset, HEMA estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. In subsequent years, HEMA assesses whether indications exist that impairment losses previously recognised for non-current assets other than goodwill and the brand may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and its carrying amount is increased to the revised recoverable amount, if required. The increase is recognised in operating income as an impairment reversal. An impairment reversal is recognised only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognised had the original impairment not occurred.

Inventories

Inventories are stated at cost or net realisable value, whichever is lower. Cost consists of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(all amounts in million euros, unless otherwise stated)****2 Significant Accounting Policies (Continued)**

and condition, net of vendor allowances attributable to inventories. The cost of the majority of inventories is determined using a moving average price method. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories are recognised in the balance sheet when the significant risks and rewards of ownership of the goods have been transferred to HEMA.

Financial assets**Receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Financial liabilities and equity instruments issued by the company**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by HEMA are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'. Effectively the Company only recognises other financial liabilities as it has no financial liabilities at fair value through profit and loss.

The other financial liabilities including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Other financial liabilities relating to financial lease agreements are stated at the net present value of future lease instalments. Gift cards (included in other liabilities) are carried at nominal value minus a non-redemption percentage, which is based on historical redemption figures. Each year at balance sheet date, the non-redemption percentage will be reassessed and adjusted accordingly. All other liabilities are carried at the nominal value. Repayment commitments on long term liabilities that are payable within one year are included under short-term borrowings.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)**Derivative financial instruments**

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 24.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

HEMA designates certain cash flow hedging instruments. These hedges are accounted for as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and allocated to the other reserves within equity.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other financial gains and losses' in the income statement. Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Amounts deferred in equity are recycled in the income statement in the years when the hedged item is recognised in the income statement, in the same line of the income statement as the hedged item.

Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

Pensions and other post-employment benefits

The net liabilities recognised in the consolidated balance sheet for defined benefit plans represent the present value of the defined benefit obligations less the fair value of plan assets. All actuarial gains and losses are recognised in the consolidated income statement immediately.

Defined benefit obligations are actuarially calculated annually on the balance sheet date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities. Actuarial gains and losses and results from curtailments or settlements are recognised in the income statement immediately.

Contributions to defined contribution plans are recognised as an expense when they are due. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for under defined contribution criteria.

For other long-term employee benefits, such as long-service awards, provisions are recognised on the basis of discount rates and other estimates that are consistent with the estimates used for the defined benefit obligations. For these provisions all actuarial gains and losses are recognised in the consolidated income statement immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)**Provisions**

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount recognised is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant. Restructuring provisions are recognised when the Company has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced to those affected by it.

The expected settlements within one year are included under short term provisions.

Share-based payments

Key personnel of HEMA has been offered the opportunity to invest in Dutch Lion Coop. The investment consists of a membership rights component that is recognised as a share-based payment transaction in accordance with IFRS 2. In addition part of the investment consists of a loan component that is also disclosed by HEMA in accordance with IAS 24—Related party transactions for the loan components issued to management. In accordance with IFRS 2 that provides guidance on whether share-based payment transactions should be accounted for as equity-settled or cash-settled share based payment transactions, HEMA recognises the membership right instruments purchased under the Management Equity Plan as an equity settled share-based payment transaction (since the instrument is not settled by HEMA and the investment is not in equity instruments of HEMA (Dutch Lion Coop the ultimate parent of the Company has the obligation to settle and the investment is in equity instruments of Dutch Lion Coop)).

For equity settled share based payment arrangements, the fair value of membership right instruments is measured at the grant date and, if applicable the fair value is recognised as an expense with a corresponding increase recognised in equity. The fair value of the membership right instruments purchased under the Management Equity Plan is equal to the difference between (i) the fair market value of the membership right instruments at the date of grant; and (ii) the subscription price payable for the membership right instruments acquired. Where vesting conditions are applicable the expense is recognised over the vesting period of the instruments granted.

3 Critical Accounting Estimates and Judgements

The preparation of HEMA's consolidated financial statements requires management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, of income and expenses and the disclosure of contingent assets and liabilities. Estimates and assumptions may differ from future actual results. The estimates and assumptions that management considers most critical and that have a significant inherent risk of causing a material adjustment are the following:

- **impairment of non-current assets** (note 8 and 9). Determining whether non-current assets are impaired requires an estimation of the recoverable amount of the asset (or cash generating unit). For this purpose the Company is required to make estimations and assumptions in respect of future cash flows and the appropriate discount rate. The carrying amount of non-current assets that are subject to an annual impairment test is 732.7 (goodwill) and 394.4 (brand name).
- **income taxes** (note 7). HEMA has significant tax loss carry forward positions. Significant judgement is required in determining the consolidated provision for income taxes and the recoverable amounts of deferred tax assets related to tax loss carry forward positions. Currently no deferred tax asset is recognised. The carrying amount of the deferred tax liability is 99.7.
- **financial derivatives** (note 24). The balance sheet includes financial derivatives mainly currency forward contracts and interest rate swaps, with a net fair value of 14.0 (liability). The fair value of

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

3 Critical Accounting Estimates and Judgements (Continued)

financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined on the basis of valuation techniques performed by an external party.

- **share-based payment** (note 26). HEMA calculates the fair value of the share based payment components of the Management Equity Plan. Significant judgement is required to determine the equity component in this Plan. For further details, please refer to note 26.

4 Net Sales

The net sales can be specified as follows:

From January 30, 2012 up to and including February 3, 2013 (in million euros)	2012	2011
Sales to retail customers	820.4	812.1
Sales to franchisees	314.7	320.7
Other sales	17.8	16.7
Net sales	<u>1,152.9</u>	<u>1,149.5</u>

5 Operating Expenses

The operating expenses can be specified by nature as follows:

From January 30, 2012 up to and including February 3, 2013 (in million euros)	2012	2011
Salaries	158.2	148.5
Taxes and social securities	26.5	23.0
Employee benefit expenses	11.7	10.7
Other personnel expenses	7.5	7.3
Total labour costs	<u>203.9</u>	<u>189.5</u>
Housing and rents	111.7	103.0
Other general expenses	68.3	64.9
Other income and expense	(2.4)	(6.0)
Depreciation, amortisation and impairments	53.6	47.1
Total operating expenses	<u>435.1</u>	<u>398.5</u>

The employee benefit expenses relate to defined contribution and defined benefit plans. For the defined benefit plans see note 19.

6 Finance Costs

From January 30, 2012 up to and including February 3, 2013 (in million euros)	2012	2011
Interest income	(0.5)	(0.8)
Interest expense		
• cash interest expense	34.6	45.4
• non cash interest expense	29.4	33.0
Amortised finance costs	3.8	3.8
Fair value (gains)/losses on financial instruments	—	—
Other financial expense	4.3	2.3
Total finance costs	<u>71.6</u>	<u>83.7</u>

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

6 Finance Costs (Continued)

Interest income is attributable to the interest on cash and cash equivalents. The cash interest expense is attributable to the interest on borrowings (see note 16), financial liabilities and bank overdrafts. The non-cash interest is attributable to the interest on the shareholder loan and mezzanine facility (see note 16). The non-cash interest is added to the principal of the mezzanine facility and the shareholder loan.

7 Income Taxes

The fiscal unity of which HEMA is part, is headed by the Company's ultimate shareholder Dutch Lion Coop. The fiscal unity consists of Dutch Lion Cooperatief U.A., Dutch Lion B.V., HEMA B.V., HEMA Bakkerijen B.V. and HEMA Financiering B.V. All taxes for the fiscal unity are paid by HEMA. The current tax paid in these consolidated financial statements mainly relate to the income taxes for HEMA Belgium and the fiscal unity. As a result of losses in Dutch Lion B.V. and Dutch Lion Coop, HEMA records the share in current taxes of Dutch Lion and Dutch Lion Coop as a payable to these entities (refer to note 25). The other tax positions in these consolidated financial statements, such as deferred taxes, only relate to the taxes for HEMA and its subsidiaries.

Income tax recognised in profit or loss

The following table specifies the current and deferred tax components of income taxes as recognised in the consolidated income statement.

From January 30, 2012 up to and including February 3, 2013
(in million euros)

	<u>2012</u>	<u>2011</u>
Current income taxes		
Domestic taxes	(8.5)	(9.0)
Foreign taxes		
• Europe	(1.3)	(1.2)
Total current tax expense	<u>(9.8)</u>	<u>(10.2)</u>
Deferred income taxes		
Domestic taxes	1.9	—
Foreign taxes		
• Europe	—	—
Total deferred tax expense	<u>1.9</u>	<u>—</u>
Total income taxes	<u>(7.9)</u>	<u>(10.2)</u>

Effective income tax rate

HEMA's effective tax rate in the consolidated income statement differs from the statutory income tax rate of the Netherlands, which is 25 percent in 2012 and 25 percent in 2011. The following table reconciles the

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

7 Income Taxes (Continued)

statutory income tax rate of the Netherlands with the effective income tax rate as shown in the consolidated income statement.

From January 30, 2012 up to and including February 3, 2013
(in million euros)

	<u>2012</u>	<u>2011</u>
Income before income taxes	14.3	21.6
Income tax expense at statutory rate	(3.6) (25.0%)	(5.4) (25.0%)
Adjustments to arrive at effective income tax rate:		
• Rate differential (local statutory rates versus the statutory rate of the Netherlands)—effect of different tax rates of subsidiaries operating in different jurisdictions.	(0.3) (2.1%)	(0.3) (1.4%)
• Loss carry forward not recognised	(0.1) (0.7%)	(0.1) (0.5%)
• Additional loss carry forward recognised	0.1 0.7%	0.5 2.3%
• Non-deductible and other items	(4.0) (28.1%)	(4.9) (22.6%)
Total income taxes	<u>(7.9) (55.2%)</u>	<u>(10.2) (47.1%)</u>

Deferred income tax

The significant components of deferred income tax assets and liabilities as of February 3, 2013 and January 29, 2012 are as follows:

(in million euros)	<u>February 3 2013</u>	<u>January 29 2012</u>
Post-employment and other employee benefits	1.6	1.9
Property, plant & equipment	1.8	1.3
Fair value losses creditors	0.4	(0.3)
Total gross deferred tax asset	<u>3.8</u>	<u>2.9</u>
Unrecognised deferred tax assets	—	—
Total recognised deferred tax assets	<u>3.8</u>	<u>2.9</u>
Tax losses and tax credits	9.2	9.3
Unrecognised tax losses and tax credits	(9.2)	(9.2)
Total recognised tax losses and tax credits	<u>—</u>	<u>0.1</u>
Total net tax assets position	<u>3.8</u>	<u>3.0</u>
Brand	98.6	98.6
Customer relationships	4.9	6.0
Total deferred tax liability	<u>103.5</u>	<u>104.6</u>
Deferred income tax expense		
Net deferred tax liability	<u>99.7</u>	<u>101.6</u>

Deferred income tax assets and liabilities are offset in the consolidated balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are levied by the same fiscal authority. For 2012, the recognised deferred tax assets of 3.8 have been offset with the deferred tax liability relating to the customer relationships of 4.9. This results in a net deferred tax liability of 1.1. Together with the deferred tax liability relating to the HEMA brand of 98.6,

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

7 Income Taxes (Continued)

a total deferred tax liability of 99.7 is presented as non-current liabilities in the consolidated balance sheet. See the table below:

<u>(in million euros)</u>	<u>2012</u>	<u>2011</u>
Deferred tax assets	—	0.1
Deferred tax liabilities	99.7	101.7
Net deferred tax liability	<u>99.7</u>	<u>101.6</u>

As of February 3, 2013 HEMA had unused tax losses, for which no deferred tax asset is recognised in the balance sheet of a total nominal amount of approximately 29.5 (2011: 29.7) which is expiring as from 2014 and onwards. Significant judgement is required in determining whether deferred tax assets are realisable. HEMA determines this on the basis of expected taxable profits arising from the reversal of recognised deferred tax liabilities and on the basis of budgets and cash flow forecasts. Where utilization is not considered probable, deferred tax assets are not recognised.

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

8 Property, Plant and Equipment

(in million euros)	Leasehold improvements	Technical installations	Hardware	Furniture and fixtures	Trucks and cars	Work in progress	Total
As of January 30, 2011							
At cost	65.0	70.2	38.4	279.8	8.0	13.9	475.3
Accumulated depreciation and impairment losses	(29.5)	(30.1)	(31.9)	(219.3)	(3.1)	—	(313.9)
Carrying amount	35.5	40.1	6.5	60.5	4.9	13.9	161.4
Additions							
At cost	17.1	8.2	1.5	14.5	1.9	5.8	49.0
Depreciation	(6.0)	(7.0)	(2.6)	(18.8)	(1.2)	—	(35.6)
Impairment losses charged to profit & loss	—	—	—	—	—	—	—
Transfer from WIP	2.6	2.1	0.4	5.6	—	(10.7)	—
Disposals							
At cost	(0.3)	(0.4)	—	(1.6)	(1.3)	—	(3.6)
Accumulated depreciation	0.2	0.2	—	1.4	1.2	—	3.0
As of January 29, 2012							
At cost	84.4	80.1	40.3	298.3	8.6	9.0	520.7
Accumulated depreciation and impairment losses	(35.3)	(36.9)	(34.5)	(236.7)	(3.1)	—	(346.5)
Carrying amount	49.1	43.2	5.8	61.6	5.5	9.0	174.2
Additions							
At cost	18.7	16.1	6.2	18.5	1.7	6.7	67.9
Depreciation	(8.4)	(8.2)	(3.0)	(18.1)	(1.4)	—	(39.1)
Impairment losses charged to profit & loss	(0.1)	(0.1)	—	(1.6)	—	—	(1.8)
Transfer from WIP	2.5	1.6	0.2	2.8	—	(7.1)	—
Disposals							
At cost	(1.1)	(0.6)	—	(28.1)	(0.3)	—	(30.1)
Accumulated depreciation	1.1	0.6	—	28.1	0.3	—	30.1
As of February 3, 2013							
At cost	104.5	97.2	46.7	291.5	10.0	8.6	558.5
Accumulated depreciation and impairment losses	(42.7)	(44.6)	(37.5)	(228.3)	(4.2)	—	(357.3)
Carrying amount	61.8	52.6	9.2	63.2	5.8	8.6	201.2

The disposals of 30.1 mainly relate to the remodeling of the big city stores.

In 2012 1.8 was recognised as impairment (2011 no impairments).

For the contractual commitments for the acquisition of property, plant and equipment, see note 28. The most important component of work in progress is unfinished projects related to HEMA's stores.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

8 Property, Plant and Equipment (Continued)

Vehicles and machinery includes the following amounts where the group is a lessee under a finance lease:

<u>(in million euros)</u>	<u>February 3 2013</u>	<u>January 29 2012</u>
Capitalised finance lease—at cost	10.0	8.6
Accumulated depreciation	<u>(4.2)</u>	<u>(3.1)</u>
Carrying amount	<u>5.8</u>	<u>5.5</u>

The company leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between 5 and 7 years, and ownership of the assets lies within the company.

Lease rentals amounting to 1.6 (2011: 1.6) relating to lease of vehicles are included in the income statement on depreciation and finance costs (note 5 and 6).

Essentially all of the property, plant and equipment has been pledged to secure borrowings of the Company (note 16).

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets

(in million euros)	Goodwill	Brand	Customer relationships	Software	Other	Intangible assets under development	Total
As of January 30, 2011							
At cost	732.7	394.4	43.7	58.6	4.5	3.1	1,237.0
Accumulated amortisation and impairment losses	—	—	(15.3)	(46.1)	(1.0)	—	(62.4)
Carrying amount	732.7	394.4	28.4	12.5	3.5	3.1	1,174.6
Additions							
At cost	—	—	—	7.2	—	2.6	9.8
Amortisation	—	—	(4.4)	(6.6)	(0.5)	—	(11.5)
Disposals							
At cost	—	—	—	—	—	—	—
Accumulated amortisation	—	—	—	—	—	—	—
Transfer from assets under development	—	—	—	2.8	0.1	(2.9)	—
As of January 29, 2012							
At cost	732.7	394.4	43.7	68.6	4.6	2.8	1,246.8
Accumulated amortisation and impairment losses	—	—	(19.7)	(52.7)	(1.5)	—	(73.9)
Carrying amount	732.7	394.4	24.0	15.9	3.1	2.8	1,172.9
Additions							
At cost	—	—	—	7.9	3.4	3.2	14.5
Amortisation	—	—	(4.3)	(8.2)	(0.5)	—	(13.0)
Disposals							
At cost	—	—	—	—	—	—	—
Accumulated amortisation	—	—	—	—	—	—	—
Transfer from assets under development	—	—	—	3.1	—	(3.1)	—
As of February 3, 2013							
At cost	732.7	394.4	43.7	79.6	8.0	2.9	1,261.3
Accumulated amortisation and impairment losses	—	—	(24.0)	(60.9)	(2.0)	—	(86.9)
Carrying amount	732.7	394.4	19.7	18.7	6.0	2.9	1,174.4

Impairment test for goodwill and HEMA brand

Goodwill recognised relates to the acquisition of HEMA (old). Goodwill acquired in the business combination is allocated, at acquisition, to the cash generating units ('CGUs') or group of CGUs expected

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets (Continued)

to benefit from the business combination. The carrying amounts of goodwill allocated to CGUs within HEMA are as follows:

<u>Goodwill per CGU</u>	<u>February 3 2013</u>	<u>January 29 2012</u>
The Netherlands	688.6	688.6
Belgium & Luxembourg	43.6	43.6
Germany	0.5	0.5
Total HEMA	<u>732.7</u>	<u>732.7</u>

As a result of the accounting for business combinations the Company has determined that it cannot reliably measure separately the individual fair values of the complementary assets that together comprise the HEMA brand. Therefore, the brand name HEMA was recognised as a single asset. The Company has determined that the useful life of the HEMA brand is indefinite based on the history and reputation of the brand. The brand name HEMA is tested for impairment annually, or more frequently if there are indications that the brand name HEMA might be impaired. The brand name HEMA does not individually generate cash flows and should therefore not be tested for impairment as a single asset. The HEMA brand name is tested together with the CGUs that were tested for goodwill purposes. The carrying amounts of brand allocated to CGUs within HEMA are as follows:

<u>Brand per CGU</u>	<u>February 3 2013</u>	<u>January 29 2012</u>
The Netherlands	370.9	370.9
Belgium & Luxembourg	23.5	23.5
Total HEMA	<u>394.4</u>	<u>394.4</u>

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU is determined based on fair value less costs to sell calculations. Fair value less costs to sell calculations use post-tax cash flow projections into perpetuity. The cash flow projections are based on assumptions approved by company management. The continuing value is determined based on a 'steady state' set of assumptions for the cash flows in the last forecast year and applying a terminal value multiple to those cash flows.

The key assumptions used in financial year 2012 for fair value less cost to sell calculations are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>The Netherlands</u>	<u>Belgium & Luxembourg</u>	<u>The Netherlands</u>	<u>Belgium & Luxembourg</u>
Gross margin (average)				
• Next 10 years	47.3%	61.3%	46.3%	60.7%
• After that	46.7%	61.5%	45.6%	60.9%
Growth rate (average)				
• Next 10 years	2.3%	3.0%	2.3%	3.6%
• After that	1.5%	1.5%	1.5%	1.5%
Discount rate	7.8%	8.2%	7.9%	8.0%

The calculation of fair value less cost to sell for the cash generating units is most sensitive to the following assumptions:

- Gross margins: the Company determined budgeted gross margin based on past performance and its expectations for the market development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets (Continued)

- The discount rate is based on the (post-tax) weighted average cost of capital ('WACC'): the market-based weighted average of the after-tax cost of debt and cost of equity. The target long-term level of debt and equity in HEMA's capital structure is estimated using the median of market-based values for debt and equity based on a peer group of comparable listed companies. The cost of equity for both CGUs is calculated based on a Capital Asset Pricing Model ('CAPM'), including (1) a risk free rate based on a 30-year country specific government bonds, (2) an estimated company specific levered beta (based on the median beta of the peer group) multiplied by the excess market return and (3) an additional risk premium that takes into account the illiquidity and size of each CGU as compared to the peer group of listed companies. The cost of debt for both CGUs is calculated by adding a (default) spread to the risk-free rate. The spread has been derived by deducting the country specific risk free rate from the yields for listed bonds with similar credit ratings as the listed peer group companies.
- Growth rate: future growth rates are displayed in the table above and differ by geography. The growth rate is based on average values achieved in the years preceding the start of the budget year and expectations with regard to the long term inflation development.

Management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the cash generating units to materially exceed its recoverable amount.

Customer relationships

As a result of the accounting for business combinations, customer relationships relating to franchise agreements and insurance policies have been recognised in 2007. The customer relationships are amortised over the expected economic life time of the contracts being 10 respectively 13 years. The remaining expected economic life time of the customer relationships relating to franchise agreements and insurance policies are 4.4 years and 7.4 years.

Other

Other intangibles relates to key money. In France it is necessary to acquire the lease rights (e.g. key money) from the previous tenant before the full benefits of a lease agreement can be enjoyed. The lease rights give the holder the right to a free and peaceful use of the premises, the right to rent control and rights relating to the duration of the lease and renewal rights. When a new tenant takes over a property, the lease rights are sold to the new tenant. Key money is amortised over the expected economic life time of the lease contracts being 10 respectively 12 years.

Intangible assets under development

The most important component of intangible assets under development are unfinished IT projects.

All of the intangible assets represented by legal titles or of similar status have been pledged to secure borrowings of the Company (note 16).

10 Other Non-Current Assets

(in million euros)	February 3 2013	January 29 2012
Other	1.6	1.0
Total other non-current assets	<u>1.6</u>	<u>1.0</u>

The other non-current assets mainly relate to warranties paid for rental contracts in Germany and France.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

11 Inventories

(in million euros)	February 3 2013	January 29 2012
Trade inventory	152.8	154.4
Raw materials	2.2	2.0
Other inventories	2.7	2.6
	<u>157.7</u>	<u>159.0</u>
Valuation allowance	(9.9)	(8.2)
Total inventories	<u>147.8</u>	<u>150.8</u>

The raw materials and other inventories concern food, photo and packaging materials. An amount of 0.7 has been recognised as write-offs of inventories in the consolidated income statement (2011: 0.3). The valuation allowance for inventories is 9.9 (2011: 8.2). All of the inventories are pledged to secure borrowings of the Company (note 16).

12 Trade and Other Receivables

(in million euros)	February 3 2013	January 29 2012
Trade receivables	39.6	35.8
Provision for impairment	(0.7)	(0.4)
Trade receivables—net	38.9	35.4
Receivables from related parties	3.6	3.5
Prepayments	18.0	17.7
Other receivables	8.5	7.9
Total trade and other receivables	<u>69.0</u>	<u>64.5</u>

The ageing of the trade receivables was as follows:

(in million euros)	February 3 2013	January 29 2012
0 - 30 days	39.0	35.0
31 - 60 days	0.1	0.2
61 - 90 days	0.1	0.1
91 - 180 days	—	0.1
>181 days	0.4	0.4
Total trade receivables	<u>39.6</u>	<u>35.8</u>

Movements on the provision for impairment were as follows:

(in million euros)	February 3 2013	January 29 2012
Beginning of the year	(0.4)	(0.4)
Additions	(0.3)	—
Used	—	—
End of the year	<u>(0.7)</u>	<u>(0.4)</u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

12 Trade and Other Receivables (Continued)

All of the trade and other receivables are pledged to secure borrowings of the Company (note 16).

13 Other Current Financial Assets

<u>(in million euros)</u>	<u>February 3 2013</u>	<u>January 29 2012</u>
Derivative financial instruments	—	3.2
Total other current financial assets	—	3.2

14 Cash and Cash Equivalents

<u>(in million euros)</u>	<u>February 3 2013</u>	<u>January 29 2012</u>
Cash on hand	15.6	16.4
Cash in banks and cash equivalents	146.7	118.0
Total cash and cash equivalents	162.3	134.4

Cash and cash equivalents include all cash on hand balances, cheques, debit and credit receivables in transfer. Bank overdrafts that are part of HEMA's cash-pool arrangements are offset with bank balances that are part of this arrangement. Cash on hand mainly relates to cash in tills.

All of the bank accounts are pledged to secure borrowings of the Company (note 16).

15 Equity Attributable to Shareholders

Shares and share capital

As of February 3, 2013, the Company has 90,000 authorised shares with a par value of € 1, of which 18,000 are fully paid. This is unchanged compared to previous year.

Share premium

The total amount paid by the shareholders at the issuance of the shares was 108.9 of which 108.9 has been allocated to share premium. The share premium recognised in 2011 amounting to 219.3 consists of the capital contribution by Dutch Lion which is subsequently settled with part of the shareholder loan (see note 17). In 2009 a similar sett-off was executed for an amount of 80.

Legal reserves

HEMA is a company incorporated under Dutch law. In accordance with B2 DCC, legal reserves have to be established in certain circumstances. The cash flow hedging reserve is a legal reserve. Legal reserves are not available for distribution to the Company's shareholders. If the cash flow hedging reserve has a

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

15 Equity Attributable to Shareholders (Continued)

negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance.

(in thousand euros)	Cash flow hedging reserve	Other reserve	Total
Balance as of January 30, 2011	(10,249)	478	(9,771)
Cash flow hedges			
• Fair value losses	(4,936)	—	(4,936)
• Transfers to inventory	2,096	—	2,096
• Transfers to income statement	243	—	243
Balance as of January 29, 2012	(12,846)	478	(12,368)
Cash flow hedges			
• Fair value gains	3,432	—	3,432
• Transfers to inventory	(3,172)	—	(3,172)
• Transfers to income statement	4,692	(478)	4,214
Balance as of February 3, 2013	(7,894)	—	(7,894)

Items in the statement above are disclosed net of tax. The total change in 2012 in the cash flow hedging reserve amounts to 5.0 (2011: (2.6)).

Gains and losses on forward contracts recognised in cash flow hedging reserve will be released to the income statement in the next year. Gains and losses on the interest rate swaps recognised in cash flow hedging reserve will be released to the income statement in the next 1.5 years. As a result of restructuring the interest rate swap in 2011, (2.9) (loss) of the hedge reserve will be amortised to the income statement for the next year. The restructuring also resulted in ineffectiveness in the hedge relation of 7.6 (gain), which will have an impact on the income statement for the next 1.5 years.

The cash flow hedging reserve amounting to (7.9) (negative) is the fair value of the interest rate swaps and the foreign exchange forward contracts for which hedge accounting is applied.

Retained earnings

(in thousand euros)	
At January 30, 2011	(71,515)
Net profit for the year	11,441
Change in other reserves	—
At January 29, 2012	(60,074)
Net profit for the year	6,406
Change in other reserves	478
At January 3, 2013	(53,190)

16 Borrowings

(in million euros)	February 3, 2013	January 29, 2012
	Non-current portion	Non-current portion
Borrowings	761.0	767.9
Total	761.0	767.9
	Current portion	Current portion
	18.3	7.8
	18.3	7.8

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

16 Borrowings (Continued)

The current portion of the borrowings amounts to 18.3 (2011: 7.8) and relates to the mandatory repayment as required under the senior facility agreement.

The fair values of these borrowings, corresponding derivatives and the foreign exchange and interest rate risk management policies applied by HEMA are disclosed in note 24.

Borrowings

On July 5, 2007 the Company signed two facilities with a syndicate of two banks: a senior facility agreement (the 'Senior Facilities Agreement') and a mezzanine facility agreement (the 'Mezzanine Facility Agreement'). The Senior Facility Agreement comprises of three loan facilities ('Facility B', 'Facility C', 'Facility D').

The amount and due dates of the facilities as of February 3, 2013 are as follows:

Principal (in million euros)	Due	Within 1 year	Between 1 and 5 years	After 5 years	February 3 2013
Facility B	July 2015	9.1	266.6	—	275.7
Facility C	July 2016	9.2	266.6	—	275.8
Facility D	January 2017	—	80.0	—	80.0
Mezzanine facility	July 2017	—	120.0	—	120.0
Total		18.3	733.2	—	751.5
Rolled up interest mezzanine			38.8	—	38.8
		18.3	772.0	—	790.3
Deferred financing costs					(11.0)
Total					779.3

The amount and due dates of the facilities as of January 29, 2012 were as follows:

Principal (in million euros)	Due	Within 1 year	Between 1 and 5 years	After 5 years	January 29 2012
Facility B	July 2015	3.9	275.7	—	279.6
Facility C	July 2016	3.9	275.8	—	279.7
Facility D	January 2017	—	—	80.0	80.0
Mezzanine facility	July 2017	—	—	120.0	120.0
Total		7.8	551.5	200.0	759.3
Rolled up interest mezzanine				30.8	30.8
		7.8	551.5	230.8	790.1
Deferred financing costs					(14.4)
Total					775.7

- The principal amount of Facility B amounts 295 and carries a floating interest rate of 1-months EURIBOR plus a spread of 250bps. As at December 22, 2009 the spread has been adjusted to 225bps. As at March 12, 2010 the spread has been adjusted to 200bps.
- The principal amount of Facility C amounts 295 and carries a floating interest rate of 1-months EURIBOR plus a spread of 300bps. As at March 12, 2010 the spread has been adjusted to 275bps.
- The principal amount of Facility D amounts 80 and carries a floating interest rate of 1-months EURIBOR plus a spread of 500bps.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

16 Borrowings (Continued)

- The principal amount of the Mezzanine facility amounts 120 and carries a floating interest rate of 1-months EURIBOR plus 850bps of which 1-month EURIBOR plus 350bps is paid in cash and 500bps is added to the principal.

All borrowings have to be repaid at maturity subject to certain mandatory prepayments (e.g. for received considerations for disposals) and repayment of excess cash flow as defined in the facilities agreements.

Fees and other costs directly related to the issuance of the facilities are deferred and are amortised over the term of maturity of the loans.

Group credit facility

HEMA has a multi-currency revolving credit facility of 70 which may be used for the general corporate and/or working capital purposes of the Company. The group credit facility expires in July 2014.

Exposure to market interest rates

The exposure of the Company's borrowings (excluding the shareholders loan, finance leases and bank overdrafts) to interest rate changes and the contractual re-pricing dates before and after the effect of the interest rate swap on the balance sheet dates are as follows:

(in million euros)	2013	2014	2015	2016	2017
Senior facility	613.2	613.2	346.6	—	—
Mezzanine facility	167.0	175.6	184.6	194.1	—
Interest rate swaps	(500.0)	—	—	—	—
Total	<u>280.2</u>	<u>788.8</u>	<u>531.2</u>	<u>194.1</u>	<u>—</u>

The table above is based on the following:

- The mezzanine facility will increase as a result of accrued interest.
- Repayments on the senior facilities will be likely, but is not taken into account, since they depend on the annual cash flows of the company in the future, which are unknown at balance sheet date.
- In July 2015, July 2016 and January 2017, parts of the facilities reach their due dates and need to be repaid (refer to the tables above in this note). As at 2017 all borrowings are repaid.
- The current interest rate swap will expire in September 2014. As a result exposure increases significantly from that point. It is expected that the company will enter into new swaps in order to keep the volatility to interest rate changes on a low level. However, future contracts are not taken into account, since they do not exist at balance sheet date.

Covenants

The facilities contain customary covenants that place restrictions on disposals, mergers, acquisitions, investments and the incurrence of debt by the Company and its subsidiaries. In addition, the facilities are subject to two financial covenants: the net debt ratio (net debt over EBITDA) and cash interest cover ratio (EBITDA over cash interest). These covenants were applicable as of the first quarter of 2008. In financial year 2012 the Company has not been in breach with these covenants.

Substantially all of HEMA's assets have been pledged to the secure the facilities.

17 Shareholder Loan

The shareholder loan has a principal of 269.6 and carries a fixed interest rate of 13.5% per annum. The interest is added to the principal and will only be paid in cash at the election of the Company's Board of Managing Directors or at redemption. The shareholder loan has a maturity of 49 years and is due June 30

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

17 Shareholder Loan (Continued)

2056. Fees and other costs directly related to the issuance of the shareholder loan are deferred and are amortised over 9 years. The shareholder loan is, with respect to payment rights, redemption and rights of liquidation, winding up and dissolution, subordinated to all other present and future obligations of the Company. In 2009 and 2011 Dutch Lion made a contribution of respectively 80 and 219.3 to the Company by way of conversion of the shareholder loan into share premium.

The movements in the shareholder loan are as follows:

(in million euros)	February 3 2013	January 29 2012
Net opening balance	146.9	340.4
Deferred financing costs	1.5	1.8
Gross opening balance	148.4	342.2
Conversion with share premium contribution	—	(219.3)
Rolled up interest	21.4	25.5
Gross closing balance	169.8	148.4
Deferred financing costs	(1.1)	(1.5)
Net closing balance	168.7	146.9

18 Other Non-Current Financial Liabilities

(in million euros)	February 3 2013	January 29 2012
Financial lease liabilities	4.7	4.4
Derivative financial instruments	11.6	16.0
Long term lease incentives	14.5	15.8
Total other financial liabilities	30.8	36.2

For more information on derivative financial instruments, see note 24.

Financial lease liabilities

Financial lease liabilities are payables as follows:

(in million euros)	February 3, 2013			January 29, 2012		
	Future minimum lease payments	Interest portion	Present value of minimum lease payments	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	1.8	0.1	1.7	1.6	0.1	1.6
Between one and five years	5.0	0.9	4.2	4.9	0.9	3.9
After five years	0.7	0.3	0.5	0.7	0.2	0.5
Total	7.5	1.3	6.4	7.2	1.2	6.0
Current portion			1.7			1.6
Non-current portion			4.7			4.4
			6.4			6.0

The financial leases primarily relate to trucks used for logistic operations. Lease terms range from 6 to 7 years. At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

18 Other Non-Current Financial Liabilities (Continued)

operating company specific interest rate applicable for long-term borrowings is used. During financial year 2012, new financial lease contracts are discounted at a rate of 7.9 percent (financial year 2011: 8.0 percent).

The Company has options to purchase the trucks for a nominal amount at the end of the lease agreements. For some contracts, entered in 2012, the Company has the obligation to purchase the trucks for a nominal amount at the end of the lease term. This obligation is included in the financial lease liabilities.

The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

19 Employee Benefits

(in million euros)	February 3 2013	January 29 2012
Balance sheet obligations for		
Retirement benefit obligations	2.0	3.8
Other long-term benefits	5.9	5.0
	7.9	8.8
Current portion	1.3	1.8
Non-current portion	6.6	7.0
Income statement charge for		
Retirement benefit obligations	(0.8)	(0.1)
Other long-term benefits	1.5	0.6
	0.7	0.5

Retirement benefit obligations

HEMA operates unfunded defined benefit plans for qualifying employees of its subsidiaries in the Netherlands and Belgium. Under the plans, the employees are entitled to retirement benefits as a percentage of final salary on attainment of an early retirement age of 61 to 63. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at February 3, 2013 by independent actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

Movements in the present value of the defined benefit obligation in the current year were as follows:

(in million euros)	February 3 2013	January 29 2012
Opening defined benefit obligation	3.8	5.4
Current service costs	(0.1)	0.1
Interest costs	0.1	0.2
Contributions from plan participants	0.3	0.4
Experience gains	(0.8)	(0.4)
Liabilities extinguished on settlements	(1.1)	(1.7)
Benefits paid	(0.2)	(0.2)
Closing defined benefit obligation	2.0	3.8

The amounts classified under liabilities extinguished on settlement relate to lump sum payments to BpFD ('*stichting bedrijfstakpensionenfonds voor de detailhandel*'). HEMA pays a lump sum to BpFD the moment an employee decides to make use of the plan. After settlement, HEMA has no further legal or constructive obligation to pay further amounts should the BpFD not pay the employee benefits.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

19 Employee Benefits (Continued)

The amounts recognised in the income statement are as follows:

(in million euros)	2012	2011
Current service costs	(0.1)	0.1
Interest costs	0.1	0.2
Actuarial gains	(0.8)	(0.4)
Total, included in note 5 and 6	(0.8)	(0.1)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	February 3 2013	January 29 2012
Discount rate(s)	0.6%	2.5%
Expected rate(s) of salary increase	1.5%	1.5%
Inflation rate	2.0%	2.0%

Management does not expect substantial changes in the contribution to the plan.

Multi-employer plan

The Company has a multi-employer plan that should be accounted for as a defined benefit plan. Virtually all employees of the Company are covered by such a plan that is financed by employees and employer. The plan is insured with BpFD and is a defined benefit scheme in respect of the retirement pensions. Paid pensions are related to the employee's average salary and the total employment period covered by the plan. This means that the Company should report its proportional share of the defined benefit commitments and the assets under management and expenses associated with the plan in the same manner as any other defined benefit plan, and provide the information required for such plans.

BpFD, however, is unable to provide sufficient information to report the Company's proportional share of the defined-benefit commitments and the assets under management and expense associated with the plan. There is also no agreement on how any surplus or deficit should be distributed to the participants in the pension plan. As a result, the scheme is reported as a defined contribution plan and accordingly cannot provide the disclosure requirements in respect of defined-benefit plans in IAS 19 'Employee Benefits'.

Long term employee benefits

The company provides a jubilee plan for all active employees under the collective labour agreement. Long term benefits such as jubilee plan are accounted for in the same way as defined benefit pension benefits.

Movements in the present value of the jubilee plan obligation in the current year were as follows:

(in million euros)	February 3 2013	January 29 2012
Opening obligation	5.0	5.0
Current service costs	0.3	0.3
Interest costs	0.2	0.3
Actuarial losses	1.0	—
Benefits paid	(0.6)	(0.6)
Closing obligation	5.9	5.0

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

19 Employee Benefits (Continued)

The amounts recognised in the income statement are as follows:

(in million euros)	2012	2011
Current service costs	0.3	0.3
Interest costs	0.2	0.3
Actuarial losses	1.0	—
Total, included in labour costs (note 5) and financial expenses (note 6)	<u>1.5</u>	<u>0.6</u>

The principal assumptions used for the purposes of the actuarial valuations were as follows:

(in million euros)	February 3 2013	January 29 2012
Discount rate(s)	2.6%	4.3%
Expected rate(s) of salary increase	2.0%	2.5%

Five year history of retirement benefit obligation and jubilee plan

The assumptions used in the actuarial calculations of the defined benefit require a large degree of judgment. Actual experience may differ from the assumptions made. The following table provides a summary of the defined benefit obligations and adjustments arising from changes in experience and assumptions over the past five years:

(in million euros)	2012	2011	2010	2009	2008
Present value of defined benefit obligations					
• Retirement benefit obligation	2.0	3.8	5.4	7.4	11.0
• Jubilee plan	<u>5.9</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>4.9</u>
Total obligation	<u>7.9</u>	<u>8.8</u>	<u>10.4</u>	<u>12.4</u>	<u>15.9</u>
Experience and assumptions (gains)/losses on defined benefit obligations					
• Retirement benefit obligation	(0.8)	(0.3)	(0.2)	(0.3)	(0.0)
• Jubilee plan	<u>1.0</u>	<u>0.1</u>	<u>(0.0)</u>	<u>0.1</u>	<u>0.4</u>
Total loss/(gain)	<u>0.2</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>0.4</u>

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

20 Provisions

The table below specifies the change in total provisions (current and non-current):

(in million euros)	<u>Restructuring</u>
As of January 29, 2012	
Current portion	—
Non-current portion	<u>0.2</u>
	0.2
Charged/credited to the income statement	
Additions charged to income	—
Used during the year	(0.1)
Release to income	—
Interest accretion	<u>—</u>
Closing carrying amount	0.1
As of February 3, 2013	
Current portion	0.1
Non-current portion	<u>—</u>
	0.1

Restructuring

The provision for restructuring and termination costs represents the present value of management's best estimate of the direct costs of the restructuring that are not associated with the ongoing activities of HEMA, including termination benefits.

21 Trade and Other Payables

(in million euros)	<u>February 3 2013</u>	<u>January 29 2012</u>
Trade payable	177.5	155.3
Accrued expenses	57.4	60.9
Payroll taxes, social security and VAT	13.2	11.9
Amounts due to related parties	15.0	9.5
Payroll accruals	41.8	38.1
Other	<u>10.7</u>	<u>8.5</u>
Total trade and other payables	<u>315.6</u>	<u>284.2</u>

22 Other Financial Liabilities

(in million euros)	<u>February 3 2013</u>	<u>January 29 2012</u>
Financial lease liabilities—current portion	1.7	1.6
Interest	2.4	2.2
Derivative financial instruments	<u>2.4</u>	<u>—</u>
Total other financial liabilities	<u>6.5</u>	<u>3.8</u>

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

23 Cash Flow

The following table presents a reconciliation between the cash flow statements and the cash and cash equivalents as presented in the consolidated balance sheet:

(in million euros)	February 3 2013	January 29 2012
Cash and cash equivalents at the beginning of the year	134.4	133.8
Net cash from operating, investing and financing activities	27.9	0.6
Cash and cash equivalents at the end of the year	162.3	134.4

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet. Also see note 14.

24 Financial Risk Management and Financial Instruments

Financial risk management

HEMA's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on HEMA's financial performance and capital. HEMA uses derivative financial instruments solely for the purpose of hedging exposure which corresponds to managing the interest rate and foreign exchange rate risks arising from the Company's operations and its sources of finance. HEMA does not enter into derivative financial instruments for speculative purposes.

HEMA's primary market risk exposures relate to foreign currency exchange rate and interest rate. In order to manage the risk arising from these exposures, various financial instruments may be utilised.

Foreign exchange rate risk

The international purchase activities expose HEMA to a foreign cash flow exchange risk. It is HEMA's policy to cover foreign exchange transaction exposure in relation to existing firm purchase commitments. To protect the value of future foreign currency cash flows, HEMA enters into forward contracts.

- **Foreign currency sensitivity analysis**—The total purchasing volume in U.S. dollar and Hong Kong dollar is approximately 160. Assuming the Euro strengthens (weakens) by 1% against the U.S. dollar and Hong Kong dollar the direct result on cost of sales would be a decrease (increase) of circa 1.6. Market conditions determine if these changes actually occur and whether there is a simultaneous, offsetting effect on selling prices.

Interest rate risk

HEMA's interest rate risk arises primarily from its debt. To manage interest rate risk, HEMA has an interest rate management policy aimed at reducing volatility in its interest expense. HEMA's financial position is largely fixed by long-term debt issues and the use of derivative financial instruments such as interest rate swaps. As at February 3, 2013, after taking into account the effect of interest rate swaps, approximately 63 percent of HEMA's long term borrowings are at a fixed rate of interest.

- **Interest rate sensitivity analysis**—As a result of the interest rate swap, changes in EURIBOR only have an impact on the non-hedged part of the debt (37 percent). A change of 1%-point in EURIBOR has an impact of 2.9 on cash flow.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments as well as wholesale customers including outstanding receivables and committed purchase transactions. For banks and financial

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

institutions only independently rated parties with a minimum rating of A are accepted. For wholesale customers use is made of contracts of guarantee. Also the credit quality is monitored bi-weekly. HEMA has no significant concentrations of credit risk. Sales to retail customers are settled in cash or by use of a credit card of one of the major credit card companies.

The majority of HEMA's past due but not impaired financial assets as of February 3, 2013, consists of receivables and is past due less than three months. The concentration of credit risk with respect to receivables is limited as it relates to the deliveries to the franchisees (there is no backlog in payments). As a result, management believes there is no further credit risk provision required in excess of the normal individual and collective impairment (based on an aging analysis) performed as of February 3, 2013. For further discussion on HEMA's receivables, see note 12.

Liquidity risk

HEMA manages its liquidity risk on a consolidated basis with cash provided from operating activities being a primary source of liquidity in addition to debt issuances in the capital markets, committed and uncommitted credit facilities, and available cash. HEMA manages short-term liquidity based on projected cash flows on a daily basis. As of February 3, 2013, HEMA has a multi-currency revolving credit facility of 70, which can be drawn on for working capital and general corporate purposes and 162.3 of cash balances available to manage its liquidity. Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends and scheduled debt repayment requirements for the next 12 months and the foreseeable future.

The following tables summarise the maturity profile of the Company's derivative and non-derivative financial liabilities as of February 3, 2013, and January 29, 2012, respectively, based on contractual undiscounted payments. Regarding the table below please note that the shareholder loan including accrued interest is not included since it is not likely that the shareholder loan will be paid at maturity date (for more details regarding the shareholder loan refer to note 17).

(in million euros)	Net carrying amount	Contractual cash flows			
		Within 1 year	Between 1 and 5 years	After 5 years	Total
February 3, 2013					
Non derivative financial liabilities	1,101.3	379.6	887.3	0.7	1,267.6
Borrowings	761.0	43.9	882.3	—	926.2
Finance lease liabilities	6.4	1.8	5.0	0.7	7.5
Short term borrowings	18.3	18.3	—	—	18.3
Trade and other payables	315.6	315.6	—	—	315.6
Derivative financial liabilities	14.0	9.7	3.9	—	13.6
Derivatives inflow (including interest)	—	(56.6)	(1.4)	—	(58.0)
Derivatives outflow (including interest)	—	66.2	5.3	—	71.6
	<u>1,115.3</u>	<u>389.3</u>	<u>891.2</u>	<u>0.7</u>	<u>1,281.1</u>

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

(in million euros)	Net carrying amount	Contractual cash flows			
		Within 1 year	Between 1 and 5 years	After 5 years	Total
January 29, 2012					
Non derivative financial liabilities	1,066.0	328.0	761.4	203.9	1,293.2
Borrowings	768.0	34.4	756.5	203.2	994.1
Finance lease liabilities	6.0	1.6	4.9	0.7	7.2
Short term borrowings	7.8	7.8	—	—	7.7
Trade and other payables	284.2	284.2	—	—	284.2
Derivative financial liabilities	16.0	2.3	2.5	—	4.7
Derivatives inflow (including interest)	—	(7.1)	(12.1)	—	(19.2)
Derivatives outflow (including interest)	—	9.4	14.6	—	24.0
	1,082.0	330.2	763.9	203.9	1,297.9

All instruments held at the reporting date and for which payments are already contractually agreed have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curves interest rates as of February 3, 2013, and January 29, 2012, respectively.

Capital risk management

The Company's primary objective when managing capital is optimisation of its debt and equity balance in order to sustain the future development of the business and to maximise shareholder value. The Company is restricted by capital requirement. The Company cannot directly or indirectly, redeem, retire or otherwise withdraw any capital contributions made to the capital reserves. Nor can the Company convert such capital contributions into shareholder loans or redeem, purchase, retire or otherwise acquire for consideration any shares or warrants issued. The capital structure of the Company consists of the following elements:

(in million euros)	Note	February 3 2013	January 29 2012
Total borrowings (excluding unamortised finance costs)	16	790.3	790.1
Financial lease liabilities	18	6.4	6.0
Less: cash & cash equivalents	14	(162.3)	(134.4)
Net debt		634.4	661.7
Shareholder loan (excluding unamortised finance costs)	17	169.8	148.4
Equity	15	347.2	335.8
Total capital		1,151.3	1,145.9

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

Financial instruments—categories

The following tables present the carrying amounts for each of the categories of financial instruments as at February 3, 2013:

(in million euros)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
February 3, 2013				
Assets as per balance sheet				
Trade and other receivable excluding prepayments	51.0	—	—	51.0
Cash and cash equivalents	162.3	—	—	162.3
Total	213.3	—	—	213.3

(in million euros)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised costs	Total
February 3, 2013				
Liabilities as per balance sheet				
Shareholder loan	—	—	168.7	168.7
Borrowings (current)	—	—	18.3	18.3
Borrowings (non-current)	—	—	761.0	761.0
Financial lease liabilities	—	—	6.4	6.4
Derivative financial instruments	—	14.0	—	14.0
Trade and other payables	—	—	315.6	315.6
Total	—	14.0	1,270.0	1,284.0

The following tables present the carrying amounts for each of the categories of financial instruments as at January 29, 2012.

(in million euros)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
January 29, 2012				
Assets as per balance sheet				
Derivative financial instruments	—	—	3.2	3.2
Trade and other receivable excluding prepayments	46.8	—	—	46.8
Cash and cash equivalents	134.4	—	—	134.4
Total	181.2	—	3.2	184.4

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

(in million euros)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised costs	Total
January 29, 2012				
Liabilities as per balance sheet				
Shareholder loan	—	—	146.9	146.9
Borrowings (current)	—	—	7.8	7.8
Borrowings (non-current)	—	—	767.9	767.9
Financial lease liabilities	—	—	6.0	6.0
Derivative financial instruments	—	16.0	—	16.0
Trade and other payables	—	—	284.2	284.2
Total	—	16.0	1,212.8	1,222.8

Financial instruments—fair values

Of HEMA's categories of financial instruments, only derivatives are measured at fair value using level 2. These derivatives are valued using quoted prices as input. These quoted prices are observable in the market, either directly (i.e. as prices) or indirectly (derived from prices). The fair value of the derivative instruments is based on the rates and quotations obtained from third parties.

The carrying amount of receivables, cash and cash equivalents, accounts payable and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss.

There is no active liquid market for the Company's bank loans and consequently the fair value of the bank loans cannot be determined based on quoted market prices. Therefore, the fair value of the bank loans has been estimated using information on current secondary trading levels. Based on this information the approximate fair value of the bank loans would be 747.2 (2011: 731.8) versus nominal 790.3 (2011: 790.1).

Derivatives

The number and maturities of derivative contracts, the fair values and the qualification of the instruments for accounting purposes are presented in the next table:

(in million euros)	February 3, 2013			January 29, 2012		
	# contracts	Assets	Liabilities	# contracts	Assets	Liabilities
Interest rate swaps—cash flow hedges						
Within one year	—	—	—	—	—	—
Between one and five years	1	—	(11.6)	1	—	(16.0)
After five years	—	—	—	—	—	—
Total interest rate swaps—cash flow hedges	1	—	(11.6)	1	—	(16.0)
Foreign currency forwards—cash flow hedges						
Within one year	136	—	(2.4)	289	3.2	—
Between one and five years	—	—	—	—	—	—
After five years	—	—	—	—	—	—
Foreign currency forwards—cash flow hedges	136	—	(2.4)	289	3.2	—
Total derivative financial instruments	137	—	(14.0)	290	3.2	(16.0)

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

Interest rate swaps designated as cash flow hedges are used to hedge cash flow EURIBOR interest rate risk on floating rate debt. Foreign currency forwards designated as cash flow hedges are used to hedge the variability in future cash flows denominated in foreign currencies.

The notional amounts of the derivative financial instruments outstanding as of February 3, 2013, are summarised below. The summary is based on the currency of the exposures being hedged and includes the gross amount of all notional values for outstanding contracts.

(in million original currencies)	<u>HKD</u>	<u>GBP</u>	<u>USD</u>	<u>EUR</u>
Interest rate swaps				
Within one year	—	—	—	—
Between one and five years	—	—	—	500.0
After five years	—	—	—	—
Foreign currency forwards				
Within one year	91.3	—	62.3	—
Between one and five years	—	—	—	—
After five years	—	—	—	—

As of the balance sheet date the forward contracts and hedge instruments are valued at fair value. HEMA has opted for hedge accounting for its derivatives. Gains and losses recognised in cash flow hedging reserve in equity will be released to the income statement over the remaining term of the interest rate swap being 1.5 years. In 2012 no fair value changes were recognised in the income statement. The amount that was recognised in equity of the interest rate swaps and foreign currency contracts was 5.0 (gain).

The stated value of the financial instruments is based on the mark-to-market value and is derived from the mid-market price as of the balance sheet date which is obtained from third parties.

25 Related Party Transactions

Lion Capital LLP ('Lion Capital') is a leading private equity firm focused on the consumer sector. Entities managed by and/or related to Lion Capital own, or have an economic interest in (derivatives related to) capital and loan instruments of HEMA, HEMA's parent Dutch Lion B.V. and/or HEMA's ultimate shareholder Dutch Lion Coop. HEMA and Lion Capital have entered into a monitoring and oversight agreement under which Lion Capital provides consultancy and advisory services for an annual advisory fee amounting to 1.9.

HEMA has intercompany balances with its parent companies as follows (see note 12 and 21):

(in thousand euros)	<u>February 3 2013</u>	<u>January 29 2012</u>
Dutch Lion Management B.V.	79	64
Dutch Lion Coöperatief U.A.	2,797	2,874
Dutch Lion B.V.	(15,050)	(9,534)
Stichting Administratiekantoor Dutch Lion A	159	144
Stichting Administratiekantoor Dutch Lion B	343	234
Stichting Administratiekantoor Dutch Lion C	192	161
Total intercompany	<u>(11,480)</u>	<u>(6,057)</u>

The amounts due from parent companies relate to a recharge of finance costs and invoices that have been paid by HEMA on behalf of these companies. The amount payable to Dutch Lion B.V. mainly relates to corporate income taxes paid by HEMA on behalf of the fiscal unity. The balances will be settled at the time of an exit and accordingly it is uncertain when the amounts are settled. Considering the fact that it is uncertain when these amount are repaid the receivable is presented under the current assets and liabilities.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

25 Related Party Transactions (Continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company determined that key management personnel consists of members of the management board. The compensation paid or payable to key management for employee services is shown below:

(in million euros)	2012	2011
Salaries and other short-term employee benefits	1.6	2.7
Termination benefits	—	—
Share based payments (see note 26)	—	—
Post-employment benefits	0.2	0.4
	<u>1.8</u>	<u>3.1</u>

See note 18 to the company financial statements for information on the remuneration of the board of managing directors.

26 Share-Based Payment

Following the acquisition of HEMA on 6 July 2007, circa 70 senior managers of HEMA were offered the possibility to invest in Dutch Lion Coop, the ultimate parent of the Company. Under the plan introduced in February 2008, eligible management was offered, subject to certain terms and conditions, an investment in financial instruments of Dutch Lion Coop at the same conditions as Lion Capital. In December 2008 the plan was amended to reflect the new fiscal legislation related to this investment. The outstanding rights before and after the amendments were equal to each other. At the same time, but not related, a relatively small amount of additional investment was offered to the senior managers that participated in the plan at the same conditions as the earlier investment. All financial instruments are issued through foundations (Dutch: administratiekantoren) that hold the voting rights of the underlying instruments. The members of the board of managing directors were part of the senior managers who were offered the possibility to invest.

The investment contains a loan component and a membership right component. The investment in the loan component is disclosed by HEMA in accordance with IAS 24 ‘Related party transactions’. The membership right component falls under the scope of IFRS 2 ‘Share based payments’.

The total amounts invested by senior management with respect to the plan are:

(in million euros)	February 3 2013	January 29 2012
Amount of outstanding balances at beginning of the year	0.9	0.9
Amounts purchased by senior management	—	—
Amounts sold by senior management	—	—
Amount of outstanding balances at the end of the year	<u>0.9</u>	<u>0.9</u>

According to IFRS 2 the membership right component of the investment is considered to be an equity settled share-based payment transaction, since HEMA has no obligation to settle the share-based payment transaction (Dutch Lion Coop the ultimate parent of the Company has the obligation to settle). HEMA has prepared a valuation of the investment of the managers at each grant date. The fair market value applied for the underlying membership rights is based on the shareholder value, which has been derived from the Enterprise Value (‘EV’) for the Company. For the determination of the fair value, EV/EBITDA multiples are applied which are based on a market approach by using trading multiples of comparable companies as a benchmark.

No expense with respect to the investment has been incorporated in the income statement.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

27 Operating Leases

HEMA leases all of its stores, as well as distribution centres, offices and other assets, under operating lease arrangements. Various properties leased under operating leases are (partially) subleased to third parties. The aggregate amounts of HEMA's minimum lease commitments payable to third parties under non-cancellable operating lease contracts are disclosed in the table below.

(in million euros)	February 3 2013	January 29 2012
Within one year	87.6	81.2
Between one and five years	262.7	235.0
After five years	233.3	229.9
Total	<u>583.6</u>	<u>546.1</u>

Commitments for rent exclude total sub-lease payments to be received amounting to 12.6 (2011: 13.5).

Certain store leases provide for contingent additional rentals based on a percentage of sales. Substantially all of the store leases have renewal options for additional terms. None of HEMA's leases impose restrictions on the ability of HEMA to pay dividends, incur additional debt, or enter into additional leasing arrangements.

The annual costs of HEMA's operating leases from continuing operations are disclosed in the table below.

(in million euros)	2012	2011
Minimum rentals	83.5	77.7
Sublease income	(4.2)	(4.1)
Total	<u>79.3</u>	<u>73.6</u>

28 Commitments and Contingencies

The contracted capital expenditure and purchase commitments at the end of the reporting year but not yet incurred is as follows:

(in million euros)	Purchase (volume) commitments	Capital expenditure commitments P, P&E	Capital expenditure commitments Intangible assets	Total
No later than 1 year	118.3	16.1	2.5	136.9
Later than 1 year but no later than 5 years	—	—	—	—
Later than 5 years	—	—	—	—
Total	<u>118.3</u>	<u>16.1</u>	<u>2.5</u>	<u>136.9</u>

Bank guarantees totalling of 3.4 have been issued by HEMA BV mainly relating to the rent of the headquarters (1.3), the customs (1.1) and other (1.0).

HEMA BV has a total of 1.1 of contingent assets for which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

29 Independent Auditor's Fee

The independent auditor's fees paid per category can be summarised as follows:

(in thousand euros)	2012	2011
Audit of the financial statements	202.7	173.5
Other audit engagements	23.7	43.6
Tax consultancy	134.4	170.9
Other non-audit engagements	9.0	17.0
Total	369.8	405.0

30 List of Subsidiaries

The following are HEMA's significant subsidiaries as of February 3, 2013. Unless otherwise indicated these are wholly owned consolidated subsidiaries.

The Netherlands

HEMA Bakkerijen B.V.*, Amsterdam
HEMA Duitsland B.V.*, Amsterdam
HEMA Financial Services B.V.*, Amsterdam
Vendopolis Assuradeuren B.V.*, Amsterdam
HEMA financiering B.V., Amsterdam

Europe

HEMA Deutschland GmbH, Essen
HEMA GmbH & CO KG, Essen
HEMA France S.A.S., Paris, France
HEMA Belgie B.V.B.A.*, Ukkel, Belgium

Rest of the world

HEMA Far East Ltd., Hong Kong

HEMA GmbH & Co. KG, Essen, Germany, makes use of the exemption clause under Section 264b of the German Commercial Code regarding the preparation, auditing and publication of its financial statements.

31 Employees

During 2012 the Company employed approximately 6,008 full-time equivalents divided over the following five countries:

Number of employees in full-time equivalents	2012	2011
The Netherlands	5,191	5,144
Belgium	630	600
Germany	55	69
Luxembourg	17	19
France	115	80
Total	6,008	5,912

Salaries, social security charges and pension expenses amounted to 158.5, 26.5 and 11.4 respectively, for 2012 (2011: 148.5, 23.0, 10.7 respectively).

For information on the remuneration of the board of managing directors and the Supervisory Board see note 18 to the company financial statements.

* Pursuant to section 403 B2 DCC, HEMA has issued declarations of liability for these subsidiaries.

OTHER INFORMATION
INDEPENDENT AUDITOR'S REPORT
to the General Meeting of Shareholders of HEMA B.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of HEMA B.V., Amsterdam as set out on pages 32 to 100. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 3 February 2013, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 3 February 2013, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management board's responsibility

The management board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of HEMA B.V. as at 3 February 2013, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of HEMA B.V. as at 3 February 2013, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the

OTHER INFORMATION
INDEPENDENT AUDITOR'S REPORT (Continued)
to the General Meeting of Shareholders of HEMA B.V.

information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Rotterdam, 21 March 2013
PricewaterhouseCoopers Accountants N.V.
Original signed by J.G. Bod RA

The above auditor's report is the original auditor's report that was issued on March 21, 2013 with respect to the statutory financial statements for the period ending February 3, 2013. These financial statements also contained the management report and company financial statements. For purposes of the Offering Memorandum the management report and company financial statements have been omitted. Furthermore the page references in the original auditor's report refer to the statutory financial statements, which page reference compares to pages F-51 to F-93 in this Offering Memorandum

STATUTORY APPROPRIATION OF THE RESULT

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to article 25 of the articles of association the income, after reservations made by the Board of Managing Directors in consultation with the Supervisory Board, will be available for distribution to the common shareholders upon approval at the General Meeting of Shareholders.

Amounts not paid in the form of dividends will be added to accumulated general reserves. Consequently, net profit according to the company statements of operations is fully attributable to common shareholders. The proposed profit-sharing statement reads as follows:

<u>(in million euros)</u>	<u>February 3 2013</u>	<u>January 29 2012</u>
Net profit	6.4	11.4
Dividends	—	—
Charged to the general reserves	<u>6.4</u>	<u>11.4</u>

HEMA B.V.
Annual Report 2011

This annual report is adopted by the general meeting of shareholders on April 10 2012.
Registration number Chamber of Commerce (*Kamer van Koophandel*) 34215639.

Financial Statements

HEMA B.V.
CONSOLIDATED INCOME STATEMENT
FROM JANUARY 31 2011 UP TO AND INCLUDING JANUARY 29, 2012
(in million euros)

	<u>Note</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Net sales	4	1,149.5	1,114.3
Cost of sales		(645.7)	(616.2)
Gross profit		503.8	498.1
Operating expenses	5	(398.5)	(387.4)
Operating income		105.3	110.7
Finance cost	6	(83.7)	(107.2)
Income before income taxes		21.6	3.6
Income taxes	7	(10.2)	(21.9)
Net profit/(loss)		11.4	(18.3)
Attributable to:			
Shareholder		11.4	(18.3)
Net income		11.4	(18.3)

The accompanying notes on pages F-106 to F-143 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FROM JANUARY 31 2011 UP TO AND INCLUDING JANUARY 29, 2012
(in million euros)

	<u>Note</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Net profit/(loss)		11.4	(18.3)
Other comprehensive income			
Cash-flow hedges, net of tax	15	(2.6)	20.9
Other comprehensive income for the year, net of tax		<u>(2.6)</u>	<u>20.9</u>
Total comprehensive income for the year		8.8	2.6
Attributable to			
Shareholder		8.8	2.6
Total comprehensive income for the year		<u>8.8</u>	<u>2.6</u>

The accompanying notes on pages F-106 to F-143 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED BALANCE SHEET
AS AT JANUARY 29, 2012
(in million euros, after appropriation of current year result)

	Note	January 29 2012	January 30 2011
ASSETS			
Property, plant and equipment	8	174.2	161.4
Intangible assets	9	1,172.9	1,174.6
Deferred tax assets	7	0.1	0.6
Other non-current assets	10	1.0	3.0
Total non-current assets		1,348.2	1,339.6
Inventories	11	150.8	148.8
Trade and other receivables	12	64.5	56.8
Other current financial assets	13	3.2	0.6
Cash and cash equivalents	14	134.4	133.8
Total current assets		352.9	340.0
Total assets		1,701.1	1,679.6
Share capital	15	—	—
Share premium	15	408.2	188.9
Other reserves	15	(12.4)	(9.8)
Retained earnings	15	(60.0)	(71.5)
Total equity		335.8	107.6
LIABILITIES			
Borrowings	16	767.9	764.8
Other financial liabilities	18	36.2	19.9
Employee benefits	19	8.8	10.4
Deferred tax liabilities	7	101.7	102.2
Provisions	20	0.2	0.3
Shareholder loan	17	146.9	340.4
Total non-current liabilities		1,061.7	1,238.0
Trade and other payables	21	284.2	299.1
Borrowings	16	7.8	10.0
Other financial liabilities	22	3.8	21.2
Current tax liabilities	7	7.8	3.7
Total current liabilities		303.6	334.0
Total equity and liabilities		1,701.1	1,679.6

The accompanying notes on pages F-106 to F-143 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FROM JANUARY 31 2011 UP TO AND INCLUDING JANUARY 29, 2012
(in thousand euros)

	Note	Attributable to owners of the parent				Total equity
		Share capital	Share premium	Other reserves	Retained earnings	
Balance as of January 31, 2010		18	188,900	(30,679)	(53,195)	105,044
Comprehensive income						
Profit or loss		—	—	—	(18,320)	(18,320)
Other comprehensive income						
Cash flow hedges, net of tax	15	—	—	20,908	—	20,908
Total comprehensive income		—	—	20,908	(18,320)	2,588
Transactions with owners						
Share premium contribution	15	—	—	—	—	—
Change in other reserves	15	—	—	—	—	—
Total transactions with owners	15	—	—	—	—	—
Balance as of January 30, 2011		18	188,900	(9,771)	(71,515)	107,632
Comprehensive income						
Profit or loss		—	—	—	11,441	11,441
Other comprehensive income						
Cash flow hedges, net of tax		—	—	(2,597)	—	(2,597)
Total comprehensive income		—	—	(2,597)	11,441	8,844
Transactions with owners						
Share premium contribution		—	219,324	—	—	219,324
Change in other reserves		—	—	—	—	—
Total transactions with owners		—	219,324	—	—	219,324
Balance as of January 29, 2012		18	408,224	(12,368)	(60,074)	335,800

The accompanying notes on pages F-106 to F-143 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF CASH FLOWS
FROM JANUARY 31, 2011 UP TO AND INCLUDING JANUARY 29, 2012
(in million euros)

	Note	January 29 2012	January 30 2011
Cash flow from operating activities			
Net profit/(loss)		11.4	(18.3)
Income tax recognised in the income statement		10.2	21.9
Finance costs recognised in the income statement	6	83.7	107.2
Depreciation and amortization of non-current assets	5	47.1	42.6
Operating cash before changes in working capital		152.4	153.4
Movements in working capital			
• (Increase)/decrease in trade and other receivables	12	(7.7)	(1.2)
• (Increase)/decrease in inventories	11	(2.0)	(34.2)
• Increase/(decrease) in trade and other payables	21	(14.9)	35.7
• Increase/(decrease) in provisions	19/20	(1.7)	(3.1)
• Change in other assets/liabilities		(10.2)	11.5
Cash generated from operations		115.9	162.1
Income taxes (paid)/received		(2.2)	(9.9)
Net cash generated by operating activities		113.7	152.2
Cash flow from investing activities			
Payments for property, plant & equipment	8	(47.1)	(48.4)
Payments for intangible assets	9	(9.8)	(10.3)
Net cash used in investing activities		(56.9)	(58.7)

The accompanying notes on pages F-106 to F-143 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FROM JANUARY 31, 2011 UP TO AND INCLUDING JANUARY 29, 2012
(in million euros)

<u>From February 1, 2011 up to and including January 30, 2011</u>	<u>Note</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Cash flow from financing activities			
Interest paid	6	(45.4)	(53.0)
Interest received	6	0.8	0.3
Repayments of borrowings	16	(10.0)	(9.2)
Payments for financial leases	8	(1.6)	(1.1)
Other		—	—
Net cash generated by financing activities		(56.2)	(63.0)
Net cash from operating, investing and financing activities		0.6	30.5
Cash and cash equivalents at the beginning of the year	14	133.8	103.3
Cash and cash equivalents at the end of the year	14	<u>134.4</u>	<u>133.8</u>

The accompanying notes on pages F-106 to F-143 are an integral part of these consolidated financial statements.

HEMA B.V.
CONSOLIDATED SHAREHOLDER FUNDING
(in million euros)

	January 29 2012	January 30 2011
Shareholder loan	146.9	340.4
Group equity	335.8	107.6
Total shareholder funding	<u>482.7</u>	<u>448.0</u>

The accompanying notes on pages F-106 to F-143 are an integral part of these consolidated financial statements.

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all amounts in million euros, unless otherwise stated)

1 The Company and its Operations

HEMA B.V. ('HEMA' or the 'Company') is a limited liability company with its registered seat and head office in Amsterdam, the Netherlands.

The principal activities of the Company are retail operations in the Netherlands, Belgium, Luxembourg, Germany and France. The activities of HEMA are subject to seasonal influences. HEMA's business generally experiences an increase in net sales in the fourth quarter of each year.

HEMA's shares are ultimately held 100% by Dutch Lion Coöperatief U.A. ('Dutch Lion Coop'), an investment company which is owned by several investment funds advised by Lion Capital as its members.

Before September 11 2007 the name of HEMA was HEMA Holding B.V. ('HEMA Holding'). The name was changed following a legal merger between HEMA Holding and HEMA B.V. ('HEMA (old)'), with HEMA Holding as the surviving entity. On July 6, 2007 HEMA (old) was acquired by HEMA Holding from its then owner Maxeda B.V. ('Maxeda'). HEMA Holding accounted for the assets and liabilities of HEMA (old) based on the fair value of these assets and liabilities in accordance with IFRS 3 **Business Combinations**.

2 Significant Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union.

The financial information relating to HEMA is presented in the consolidated financial statements. Accordingly, in accordance with section 402, part 9, book 2 of the Dutch Civil Code ('B2 DCC'), the company financial statements only contain an abridged income statement.

The consolidated financial statements have been prepared on the historical cost convention, except for the revaluation of financial instruments. The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

HEMA's reporting calendar is based on 12 periods of four weeks or five weeks. The financial year is a 52- or 53- week period ending on the Sunday nearest to January 31. Financial year 2011 consists of 52 weeks and ended on January 29 2012. The comparable financial year 2010 consisted of 52 weeks and ended on January 30 2011.

Changes in accounting policies and disclosures

(a) Standards and interpretations effective in the current period

In the current year the Company has adopted the following new and amended International Financial Reporting Standards:

- IFRIC 17 '**Distribution of non-cash assets to owners**' (effective on or after July 1, 2009). The interpretation is part of the International Accounting Standards Boards ('IASBs') annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 '**Measurement of non-current assets (or disposal groups) classified as held-for-sale**' has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company applies IFRIC 17 from January 31 2011. This does not have a material impact on the financial statements of HEMA.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

- IFRIC 9, '**Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement**', effective July 1, 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety. The Company applies IFRIC 9 prospectively for all new contracts from January 31 2011. This does not have a material impact on the financial statements of HEMA.
- IFRIC 16, '**Hedges of a net investment in a foreign operation**' effective July 1, 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. The Company applies IFRIC 16 from January 31 2011. This does not have a material impact on the financial statements of HEMA.
- IAS 38 (amendment), '**Intangible assets**', effective January 1, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Company applies IAS 38 (amended) from January 31 2011. This does not have a material impact on the financial statements of HEMA.
- IAS 1 (amendment), '**Presentation of financial statements**'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company applies IAS 1 (amendment) from January 31 2011. This does not have a material impact on the financial statements of HEMA.
- IAS 36 (amendment), '**Impairment of assets**', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The Company applies IAS 36 (amendment) from January 31 2011. This does not have a material impact on the financial statements of HEMA.
- IFRS 2 (amendments), '**Group cash-settled share-based payment transactions**', effective from January 1, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2—Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The Company applies IFRS 2 (amendment) from January 31 2011. This does not have a material impact on the financial statements of HEMA.
- IFRS 5 (amendment), '**Non-current assets held for sale and discontinued operations**'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. (The Company applies IFRS 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

(amendment) from January 31, 2011. This does not have a material impact on the financial statements of HEMA.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 30, 2012 or later periods, but the Company has not early adopted them:

- Amendments to IFRS 7, '**Financial instruments: Disclosures**' on derecognition, effective from July 1, 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The Company will apply the amendment to IFRS 7 from February 4, 2013. It is not expected to have a material impact on the Company's consolidated financial statements.
- Amendment to IFRS 1, '**First time adoption**', on fixed dates and hyperinflation, effective from July 1, 2011. These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of January 1, 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The Company will apply the amendment to IFRS 1 from February 4, 2013. It is not expected to have a material impact on the Company's consolidated financial statements.
- Amendment to IAS 12, '**Income taxes**' on deferred tax, effective from January 1, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes—recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The Company will apply the amendment to IAS 12 from February 4, 2013. It is not expected to have a material impact on the Company's consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities over which the Company has control. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by HEMA.

All intra-group transactions balances income and expenses are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)

The consolidated statement of cash flows has been prepared using the indirect method. Cash flows in foreign currencies are restated into euros at the date of the cash flow.

HEMA's significant subsidiaries are listed in note 30.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economy environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using an average rate that approximates the actual rate at the date of the transaction. Whenever exchange rates fluctuate significantly, the exchange rates prevailing at the dates of the transactions are used. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement line item financial cost, except when deferred in the hedge reserve in equity as qualifying cash flow hedges.

Group companies

Some subsidiaries have a functional currency that is different from the presentation currency. None of these entities has a currency of a hyperinflationary economy. The results and financial position of all these entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in the cashflow hedging reserve in equity.

Net sales

HEMA generates and recognizes net sales to retail customers at the point of sale in its stores and upon delivery of products to internet customers. HEMA also generates revenues from the sale of products to retail franchisees, which are recognised upon delivery. HEMA recognizes franchise fees as revenue when all material services relating to the contract have been substantially performed. Discounts earned by customers are recognised as a reduction of sales at the time of the sale. Generally, net sales and cost of sales are recorded based on the gross amount received from the customer for products sold and the amount paid to the vendor for products purchased. However, for certain products or services, such as the sale of insurance contracts and customized photo books, HEMA acts as an agent and consequently records the amount of commission income in its net sales. Net sales exclude value-added taxes.

Cost of sales

Cost of sales includes the purchase price of the products sold and other costs incurred in bringing the inventories to their present location and condition. These costs include costs of purchasing, styling, quality

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(all amounts in million euros, unless otherwise stated)****2 Significant Accounting Policies (Continued)**

control, storing, rent, salaries and transporting products to the extent it relates to bringing the inventories to their present location and condition. The depreciation costs are allocated to the inventory, however when the inventory is sold the depreciation costs (of the costs mentioned above) are recorded under depreciation and not under the cost of sales.

Finance cost

Finance cost covers all interest income and expense attributable to the reporting period on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable. This item also includes gains and losses on hedging activities and amortisation of capitalized financing costs.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that are applicable for the year.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the income statement, except when they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)**Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition or construction of an asset. Subsequent expenditures are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the costs can be measured reliably. All other subsequent expenditures represent repairs and maintenance and are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the items of property, plant and equipment, taking into account the estimated residual value. Where an item of property, plant and equipment comprises major components having different useful lives, each such part is depreciated separately. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The estimated useful lives of property, plant and equipment are:

Leasehold improvements	10 years
Technical installations	10 years
Hardware	3–5 years
Furniture & fixtures	7 years
Trucks & cars	7 years

Assets that are expected to have a shorter useful life are depreciated in this shorter period.

Depreciation of assets subject to finance leases and leasehold improvements is calculated on a straight-line basis over either the lease or the estimated useful life of the asset, whichever is shorter.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of HEMA at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with HEMA's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Intangible assets**Goodwill and impairment of goodwill**

Goodwill represents the excess of the cost of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of a business combination. Each unit (or group of units) to which the goodwill is allocated, represents the lowest level within the Company at which the goodwill is monitored for internal management purposes and that is not larger than a segment. Cash-generating units to which goodwill has

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(all amounts in million euros, unless otherwise stated)****2 Significant Accounting Policies (Continued)**

been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. An impairment loss is recognised for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash generating unit's fair value less cost to sell and its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Other intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Brand

Brands with indefinite useful lives are tested for impairment on an annual basis. Brands are considered as corporate assets and can be allocated on a reasonable and consistent basis to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the brand arose. The Company allocates brands to operating segment in which it operates.

Customer relationships

The customer relationships have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives.

Computer software and others

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Key Money has a definite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the key money over their estimated useful lives.

Amortisation is computed using the straight-line method based on the estimated useful lives, which are as follows:

Customer relationships	10–13 years
Software	3–10 years
Other	3–12 years

For software, lives in excess of six years are used only when management is satisfied that the lives of these assets will clearly exceed that period. The useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. HEMA assesses on a yearly basis whether there is any indication that other intangible assets may be impaired.

Impairment of non-current assets other than goodwill and brand

HEMA assesses on a yearly basis whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, HEMA estimates the recoverable amount of the asset. Where it is not

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(all amounts in million euros, unless otherwise stated)****2 Significant Accounting Policies (Continued)**

possible to estimate the recoverable amount of an individual asset, HEMA estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated 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. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. In subsequent years, HEMA assesses whether indications exist that impairment losses previously recognised for non-current assets other than goodwill and the brand may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and its carrying amount is increased to the revised recoverable amount, if required. The increase is recognised in operating income as an impairment reversal. An impairment reversal is recognised only if it arises from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognised had the original impairment not occurred.

Inventories

Inventories are stated at cost or net realisable value, whichever is lower. Cost consists of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition, net of vendor allowances attributable to inventories. The cost of the majority of inventories is determined using a moving average price method. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories are recognised in the balance sheet when the significant risks and rewards of ownership of the goods have been transferred to HEMA.

Financial assets**Receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Financial liabilities and equity instruments issued by the company**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by HEMA are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**(all amounts in million euros, unless otherwise stated)****2 Significant Accounting Policies (Continued)****Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'. Effectively the Company only recognises other financial liabilities as it has no financial liabilities at fair value through profit and loss.

The other financial liabilities including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Other financial liabilities relating to financial lease agreements are stated at the net present value of future lease instalments. Gift cards (included in other liabilities) are carried at nominal value minus a non-redemption percentage, which is based on historical redemption figures. Each year at balance sheet date, the non-redemption percentage will be reassessed and adjusted accordingly. All other liabilities are carried at the nominal value. Repayment commitments on long term liabilities that are payable within one year are included under short-term borrowings.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 24.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

HEMA designates certain cash flow hedging instruments. These hedges are accounted for as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and allocated to the other reserves within equity.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other financial gains and losses' in the income statement. Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the hedged item.

Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

2 Significant Accounting Policies (Continued)**Pensions and other post-employment benefits**

The net liabilities recognised in the consolidated balance sheet for defined benefit plans represent the present value of the defined benefit obligations less the fair value of plan assets. All actuarial gains and losses are recognised in the consolidated income statement immediately.

Defined benefit obligations are actuarially calculated annually on the balance sheet date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities. Actuarial gains and losses and results from curtailments or settlements are recognised in the income statement immediately.

Contributions to defined contribution plans are recognised as an expense when they are due. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for under defined contribution criteria.

For other long-term employee benefits, such as long-service awards, provisions are recognised on the basis of discount rates and other estimates that are consistent with the estimates used for the defined benefit obligations. For these provisions all actuarial gains and losses are recognised in the consolidated income statement immediately.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount recognised is the best estimate of the expenditure required to settle the obligation. Provisions are discounted whenever the effect of the time value of money is significant. Restructuring provisions are recognised when the Company has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced to those affected by it.

The expected settlements within one year are included under short term provisions.

Share-based payments

Key personnel of HEMA has been offered the opportunity to invest in Dutch Lion Coop. The investment consists of a membership rights component that is recognised as a share-based payment transaction in accordance with IFRS 2. In addition part of the investment consists of a loan component that is also disclosed by HEMA in accordance with IAS 24—**‘Related party transactions for the loan components issued to management’**. In accordance with IFRS 2 that provides guidance on whether share-based payment transactions should be accounted for as equity-settled or cash-settled share based payment transactions, HEMA recognises the membership right instruments purchased under the Management Equity Plan as an equity settled share-based payment transaction (since the instrument is not settled by HEMA and the investment is not in equity instruments of HEMA (Dutch Lion Coop the ultimate parent of the Company has the obligation to settle and the investment is in equity instruments of Dutch Lion Coop)).

For equity settled share based payment arrangements, the fair value of membership right instruments is measured at the grant date and, if applicable the fair value is recognised as an expense with a corresponding increase recognised in equity. The fair value of the membership right instruments purchased under the Management Equity Plan is equal to the difference between (i) the fair market value of the membership right instruments at the date of grant; and (ii) the subscription price payable for the membership right instruments acquired. Where vesting conditions are applicable the expense is recognised over the vesting period of the instruments granted.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

3 Critical accounting estimates and judgements

The preparation of HEMA's consolidated financial statements requires management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, of income and expenses and the disclosure of contingent assets and liabilities. Estimates and assumptions may differ from future actual results. The estimates and assumptions that management considers most critical and that have a significant inherent risk of causing a material adjustment are the following:

- **Impairment of non-current assets** (note 8 and 9). Determining whether non-current assets are impaired requires an estimation of the recoverable amount of the asset (or cash generating unit). For this purpose the Company is required to make estimations and assumptions in respect of future cash flows and the appropriate discount rate. The carrying amount of non-current assets that are subject to an annual impairment test is 732.7 (goodwill) and 394.4 (brand name).
- **Income taxes** (note 7). HEMA has significant tax loss carry forward positions. Significant judgement is required in determining the consolidated provision for income taxes and the recoverable amounts of deferred tax assets related to tax loss carry forward positions. The carrying amount of deferred tax assets recognised is 0.1 (deferred tax liability is 101.7).
- **Financial derivatives** (note 24). The balance sheet includes financial derivatives, mainly currency forward contracts and interest rate swaps, with a net fair value of (12.8). The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined on the basis of valuation techniques performed by an external party.
- **Share-based payment** (note 26). HEMA calculates the fair value of the share based payment components of the Management Equity Plan. Significant judgement is required to determine the equity component in this Plan. For further details, please refer to note 26 Share-based payments.

4 Net Sales

The net sales can be specified as follows:

From January 31, 2011 up to and including January 29, 2012 (in million euros)	January 29 2012	January 30 2011
Sales to retail customers	812.1	783.8
Sales to franchisees	320.7	314.1
Other sales	16.7	16.4
Net sales	<u>1,149.5</u>	<u>1,114.3</u>

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

5 Operating Expenses

The operating expenses can be specified by nature as follows:

From January 31, 2011 up to and including January 29, 2012 (in million euros)	January 29 2012	January 30 2011
Salaries	148.5	143.8
Taxes and social securities	23.0	21.9
Employee benefit expenses	10.7	10.7
Other personnel expenses	7.3	8.5
Total labour costs	189.5	184.9
Housing and rents	103.0	95.7
Other general expenses	64.9	64.6
Other income and expense	(6.0)	(0.4)
Depreciation, amortisation and impairments	47.1	42.6
Total operating expenses	398.5	387.4

The employee benefit expenses relate to defined contribution and defined benefit plans. For the defined benefit plans see note 19.

6 Finance Costs

From January 31, 2011 up to and including January 29, 2012 (in million euros)	January 29 2012	January 30 2011
Interest income	(0.8)	(0.3)
Interest expense		
• Cash interest expense	45.4	53.0
• Non cash interest expense	33.0	49.5
Amortised finance costs	3.8	3.8
Fair value (gains)/losses on financial instruments	—	0.3
Other financial expense	2.3	0.9
Total finance costs	83.7	107.2

Interest income is attributable to the interest on cash and cash equivalents. The cash interest expense is attributable to the interest on borrowings (see note 16), financial liabilities and bank overdrafts. The non-cash interest is attributable to the interest on the shareholder loan and mezzanine facility (see note 16). The non-cash interest is added to the principal of the mezzanine facility and the shareholder loan.

7 Income Taxes

The fiscal unity of which HEMA is part, is headed by the Company's ultimate shareholder Dutch Lion Coop. The fiscal unity consists of Dutch Lion Cooperatief U.A., Dutch Lion B.V., HEMA B.V., HEMA Bakkerijen B.V. and HEMA Financiering B.V. All taxes for the fiscal unity are paid by HEMA. The current tax payable and paid in these consolidated financial statements mainly relate to the income taxes for HEMA Belgium and the fiscal unity. As a result of losses in Dutch Lion B.V. and Dutch Lion Coop, HEMA records the share in current taxes of Dutch Lion and Dutch Lion Coop as a payable to these entities (refer to note 25). The other tax positions in these consolidated financial statements, such as current and deferred taxes, only relate to the taxes for HEMA and its subsidiaries.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

7 Income Taxes (Continued)

Income tax recognised in profit or loss

The following table specifies the current and deferred tax components of income taxes as recognised in the consolidated income statement.

From January 31, 2011 up to and including January 29, 2012 (in million euros)	January 29 2012	January 30 2011
Current income taxes		
Domestic taxes	(9.0)	(16.8)
Foreign taxes		
• Europe	(1.2)	(2.7)
Total current tax expense	<u>(10.2)</u>	<u>(19.5)</u>
Deferred income taxes		
Domestic taxes	—	(2.4)
Foreign taxes		
• Europe	—	—
Total deferred tax expense	<u>—</u>	<u>(2.4)</u>
Total income taxes	<u>(10.2)</u>	<u>(21.9)</u>

Effective income tax rate

HEMA's effective tax rate in the consolidated income statement differs from the statutory income tax rate of the Netherlands, which is 25 percent in 2011 and 25.5 percent in 2010. The following table reconciles the statutory income tax rate of the Netherlands with the effective income tax rate as shown in the consolidated income statement.

From January 31, 2011 up to and including January 29, 2012 (in million euros)	January 29 2012		January 30 2011	
Income/(loss) before income taxes	21.6		3.6	
Income tax benefit/(expense) at statutory rate	(5.4)	(25.0%)	(0.9)	(25.5%)
Adjustments to arrive at effective income tax rate:				
• Rate differential (local statutory rates versus the statutory rate of the Netherlands)—effect of different tax rates of subsidiaries operating in different jurisdictions.	(0.3)	(1.4%)	(0.6)	(16.7%)
• Loss carry forward not recognised	(0.1)	(0.5%)	(1.5)	(41.7%)
• Additional loss carry forward recognised	0.5	2.3%		
• Agreement tax authorities previous years	—	—	(8.6)	(367.0%)
• Non-deductible and other items	(4.9)	(22.6%)	(10.3)	(158.0%)
Total income taxes	<u>(10.2)</u>	<u>(47.1%)</u>	<u>(21.9)</u>	<u>(608.9%)</u>

Current tax liabilities

The current tax liability amounts to 7.8 and relates to the fiscal unity Dutch Lion Cooperatief U.A. and HEMA's subsidiary HEMA Belgium B.V.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

7 Income Taxes (Continued)

Deferred income tax

The significant components of deferred income tax assets and liabilities as of January 29, 2012 and January 30, 2011 are as follows:

(in million euros)	January 29 2012	January 30 2011
Post-employment and other employee benefits	1.9	2.4
Property, plant & equipment	1.3	1.0
Fair value losses creditors	(0.3)	0.2
Total gross deferred tax asset	2.9	3.6
Unrecognised deferred tax assets	—	—
Total recognised deferred tax assets	2.9	3.6
Tax losses and tax credits	9.3	12.0
Unrecognised tax losses and tax credits	(9.2)	(11.4)
Total recognised tax losses and tax credits	0.1	0.6
Total net tax assets position	3.0	4.2
Brand	98.6	98.6
Customer relationships	6.0	7.2
Total deferred tax liability	104.6	105.8
Deferred income tax expense		
Net deferred tax liability	101.6	101.6

Deferred income tax assets and liabilities are offset in the consolidated balance sheet when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are levied by the same fiscal authority. For 2011, the recognised deferred tax assets of 2.9 have been offset with the deferred tax liability relating to the customer relationships of 6.0. This results in a net deferred tax liability of 3.1. The deferred tax liability of 98.6 and the deferred tax asset of 0.1 cannot be offset. In total a deferred tax asset of 0.1 and liability of 101.7 are presented as non-current assets and liabilities in the consolidated balance sheet. See the next table.

(in million euros)	January 29 2012	January 30 2011
Deferred tax assets	0.1	0.6
Deferred tax liabilities	101.7	102.2
Net deferred tax liability	101.6	101.6

As of January 29, 2012 HEMA had unused tax losses, for which no deferred tax asset is recognised in the balance sheet of a total nominal amount of approximately 29.7 (2010: 36.8) which is expiring as from 2015 and onwards. Significant judgement is required in determining whether deferred tax assets are realisable. HEMA determines this on the basis of expected taxable profits arising from the reversal of recognised deferred tax liabilities and on the basis of budgets and cash flow forecasts. Where utilization is not considered probable, deferred tax assets are not recognised.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

8 Property, Plant and Equipment

(in million euros)	Leasehold improvements	Technical installations	Hardware	Furniture and fixtures	Trucks and cars	Work in progress	Total
As of January 31, 2010							
At cost	56.3	59.9	35.9	278.8	6.5	8.6	446.0
Accumulated depreciation and impairment losses	(24.6)	(24.2)	(29.4)	(220.8)	(3.0)	—	(302.0)
Carrying amount	31.7	35.7	6.5	58.0	3.5	8.6	144.0
Additions							
At cost	7.4	8.8	2.2	18.0	2.4	12.0	50.9
Depreciation	(4.2)	(6.0)	(2.6)	(18.9)	(1.0)	—	(32.7)
Impairment losses charged to profit & loss	—	—	—	—	—	—	—
Transfer from WIP	1.4	1.6	0.4	3.3	—	(6.7)	—
Disposals							
At cost	(0.1)	(0.1)	(0.1)	(20.1)	(0.9)	—	(21.3)
Accumulated depreciation	(0.7)	0.1	0.1	20.1	0.9	—	20.5
As of January 31, 2011							
At cost	65.0	70.2	38.4	279.8	8.0	13.9	475.3
Accumulated depreciation and impairment losses	(29.5)	(30.1)	(31.9)	(219.3)	(3.1)	—	(313.9)
Carrying amount	35.5	40.1	6.5	60.5	4.9	13.9	161.4
Additions							
At cost	17.1	8.2	1.5	14.5	1.9	5.8	49.0
Depreciation	(6.0)	(7.0)	(2.6)	(18.8)	(1.2)	—	(35.6)
Impairment losses charged to profit & loss	—	—	—	—	—	—	—
Transfer from WIP	2.6	2.1	0.4	5.6	—	(10.7)	—
Disposals							
At cost	(0.3)	(0.4)	—	(1.6)	(1.3)	—	(3.6)
Accumulated depreciation	0.2	0.2	—	1.4	1.2	—	3.0
As of January 29, 2012							
At cost	84.4	80.1	40.3	298.3	8.6	9.0	520.7
Accumulated depreciation and impairment losses	(35.3)	(36.9)	(34.5)	(236.7)	(3.1)	—	(346.5)
Carrying amount	49.1	43.2	5.8	61.6	5.5	9.0	174.2

In 2011 no impairments were recognised (2010 no impairments). For the contractual commitments for the acquisition of property, plant and equipment, see note 28. The most important component of work in progress is unfinished projects related to HEMA's stores.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

8 Property, Plant and Equipment (Continued)

Vehicles and machinery includes the following amounts where the group is a lessee under a finance lease:

<u>(in million euros)</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Capitalised finance lease—at cost	8.6	8.0
Accumulated depreciation	<u>(3.1)</u>	<u>(3.1)</u>
Carrying amount	<u>5.5</u>	<u>4.9</u>

The company leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between 5 and 7 years, and ownership of the assets lies within the company.

Lease rentals amounting to 1.6 (2010: 1.3) relating to lease of vehicles are included in the income statement on depreciation and finance costs (note 5 and 6).

Essentially all of the property, plant and equipment has been pledged to secure borrowings of the Company (note 16).

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets

(in million euros)	Goodwill	Brand	Customer relationships	Software	Other	Intangible assets under development	Total
As of January 31, 2010							
At cost	732.2	394.4	46.1	52.8	2.7	0.9	1,229.1
Accumulated amortisation and impairment losses	—	—	(11.5)	(40.6)	(0.4)	—	(52.5)
Carrying amount	732.2	394.4	34.6	12.2	2.3	0.9	1,176.6
Additions							
At cost	0.5	—	—	5.2	1.8	2.8	10.3
Amortisation	—	—	(4.5)	(5.5)	(0.6)	—	(10.6)
Disposals							
At cost	—	—	—	—	—	—	—
Accumulated amortisation	—	—	—	—	—	—	—
Transfer from assets under development . .	—	—	—	0.6	—	(0.6)	—
As of January 30, 2011							
At cost	732.7	394.4	43.7	58.6	4.5	3.1	1,237.0
Accumulated amortisation and impairment losses	—	—	(15.3)	(46.1)	(1.0)	—	(62.4)
Carrying amount	732.7	394.4	28.4	12.5	3.5	3.1	1,174.6
Additions							
At cost	—	—	—	7.2	—	2.6	9.8
Amortisation	—	—	(4.4)	(6.6)	(0.5)	—	(11.5)
Disposals	—	—	—	—	—	—	—
At cost	—	—	—	—	—	—	—
Accumulated amortisation	—	—	—	—	—	—	—
Transfer from assets under development . .	—	—	—	2.8	0.1	(2.9)	—
As of January 29, 2012							
At cost	732.7	394.4	43.7	68.6	4.6	2.8	1,246.8
Accumulated amortisation and impairment losses	—	—	(19.7)	(52.7)	(1.5)	—	(73.9)
Carrying amount	732.7	394.4	24.0	15.9	3.1	2.8	1,172.9

Impairment test for goodwill and HEMA brand

Goodwill recognised relates to the acquisition of HEMA (old). Goodwill acquired in the business combination is allocated, at acquisition, to the cash generating units ('CGUs') or group of CGUs expected to benefit from the business combination. The carrying amounts of goodwill allocated to CGUs within HEMA are as follows:

Goodwill per CGU	January 29 2012	January 30 2011
The Netherlands	688.6	688.6
Belgium & Luxembourg	43.6	43.6
Germany	0.5	0.5
Total HEMA	732.7	732.7

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets (Continued)

As a result of the accounting for business combinations the Company has determined that it cannot reliably measure separately the individual fair values of the complementary assets that together comprise the HEMA brand. Therefore, the brand name HEMA was recognised as a single asset. The Company has determined that the useful life of the HEMA brand is indefinite based on the history and reputation of the brand. The brand name HEMA is tested for impairment annually, or more frequently if there are indications that the brand name HEMA might be impaired. The brand name HEMA does not individually generate cash flows and should therefore not be tested for impairment as a single asset. The HEMA brand name is tested together with the CGUs that were tested for goodwill purposes. The carrying amounts of brand allocated to CGUs within HEMA are as follows:

Brand per CGU	January 29 2012	January 30 2011
The Netherlands	370.9	370.9
Belgium & Luxembourg	23.5	23.5
Total HEMA	394.4	394.4

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU is determined based on fair value less costs to sell calculations. Fair value less costs to sell calculations use post-tax cash flow projections into perpetuity. The cash flow projections are based on assumptions approved by company management. The continuing value is determined based on a 'steady state' set of assumptions for the cash flows in the last forecast year and applying a terminal value multiple to those cash flows.

The key assumptions used in financial year 2011 for fair value less cost to sell calculations are as follows:

	2011		2010	
	The Netherlands	Belgium & Luxembourg	The Netherlands	Belgium & Luxembourg
Gross margin (average)				
• Next 10 years	46.3%	60.7%	46.2%	61.1%
• After that	45.6%	60.9%	45.5%	61.5%
Growth rate (CAGR)				
• Next 10 years	2.3%	3.6%	2.8%	4.3%
• After that	1.5%	1.5%	1.5%	1.5%
Discount rate	7.9%	8.0%	8.0%	8.5%

The calculation of fair value less cost to sell for the cash generating units is most sensitive to the following assumptions:

- Gross margins: the Company determined budgeted gross margin based on past performance and its expectations for the market development.
- The discount rate is based on the (post-tax) weighted average cost of capital ('WACC'): the market-based weighted average of the after-tax cost of debt and cost of equity. The target long-term level of debt and equity in HEMA's capital structure is estimated using the median of market-based values for debt and equity based on a peer group of comparable listed companies. The cost of equity for both CGUs is calculated based on a Capital Asset Pricing Model ('CAPM'), including (1) a risk free rate based on a 10-year country specific government bond, calculated as average over the last five years, (2) an estimated company specific levered beta (based on the median beta of the peer group) multiplied by the excess market return and (3) an additional risk premium that takes into account the illiquidity and size of each CGU as compared to the peer group of listed companies. The cost of debt for both CGUs is calculated by adding a (default) spread to the risk-free rate. The spread has been

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

9 Intangible Assets (Continued)

derived by deducting the country specific risk free rate from the yields for listed bonds with similar credit ratings as the listed peer group companies.

- Growth rate: future growth rates are displayed in the table above and differ by geography. The growth rate is based on average values achieved in the years preceding the start of the budget period and expectations with regard to the long term inflation development.

Management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the cash generating units to materially exceed its recoverable amount.

Customer relationships

As a result of the accounting for business combinations, customer relationships relating to franchise agreements and insurance policies have been recognised in 2007. The customer relationships are amortised over the expected economic life time of the contracts being 10 respectively 13 years. The remaining expected economic life time of the customer relationships relating to franchise agreements and insurance policies are 5.4 years and 8.4 years.

Other

Other intangibles relates to the key money amounting to 3.0 and the capitalized development costs amounting to 0.1 of our HEMA International concept.

In France it is necessary to acquire the lease rights (e.g. key money) from the previous tenant before the full benefits of a lease agreement can be enjoyed. The lease rights give the holder the right to a free and peaceful use of the premises, the right to rent control and rights relating to the duration of the lease and renewal rights.

When a new tenant takes over a property the lease rights are sold to the new tenant. Key money is amortised over the expected economic life time of the lease contracts being 10 respectively 12 years.

Intangible assets under development

The most important component of intangible assets under development are unfinished projects related to IT projects.

All of the intangible assets represented by legal titles or of similar status have been pledged to secure borrowings of the Company (note 16).

10 Other Non-Current Assets

(in million euros)	January 29 2012	January 30 2011
Derivative financial instrument	—	2.2
Other	1.0	0.8
Total other non-current assets	1.0	3.0

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

11 Inventories

<u>(in million euros)</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
	154.4	149.5
Trade inventory		
Raw materials	2.0	2.1
Other inventories	2.6	2.1
	<u>159.0</u>	<u>153.7</u>
Valuation allowance	(8.2)	(4.9)
Total inventories	<u>150.8</u>	<u>148.8</u>

The raw materials and other inventories concern food, photo and packaging materials. An amount of 0.3 has been recognised as write-offs of inventories in the consolidated income statement (2010: 0.2). The valuation allowance for inventories is 8.2 (2010: 4.9). All of the inventories are pledged to secure borrowings of the Company (note 16).

12 Trade and Other Receivables

<u>(in million euros)</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Trade receivables	35.8	36.2
Provision for impairment	(0.4)	(0.4)
Trade receivables—net	<u>35.4</u>	<u>35.8</u>
Receivables from related parties	3.5	0.8
Prepayments	17.7	12.5
Other receivables	7.9	7.7
Total trade and other receivables	<u>64.5</u>	<u>56.8</u>

The ageing of the trade receivables was as follows:

<u>(in million euros)</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
0–30 days	35.0	35.4
31–60 days	0.2	0.3
61–90 days	0.1	0.1
91–180 days	0.1	—
>181 days	0.4	0.4
Total trade receivables	<u>35.8</u>	<u>36.2</u>

Movements on the provision for impairment were as follows:

<u>(in million euros)</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Beginning of the year	(0.4)	(0.4)
Additions	—	(0.2)
Used	—	0.2
End of the year	<u>(0.4)</u>	<u>(0.4)</u>

The other classes within trade and other receivables do not contain impaired assets.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

12 Trade and Other Receivables (Continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

All of the trade and other receivables are pledged to secure borrowings of the Company (note 16).

13 Other Current Financial Assets

(in million euros)	January 29 2012	January 30 2011
Derivative financial instruments	3.2	0.6
Total other current financial assets	<u>3.2</u>	<u>0.6</u>

For more information regarding derivatives please refer to note 24.

14 Cash and Cash Equivalents

(in million euros)	January 29 2012	January 30 2011
Cash on hand	16.4	15.5
Cash in banks and cash equivalents	118.0	118.3
Total cash and cash equivalents	<u>134.4</u>	<u>133.8</u>

Cash and cash equivalents include all cash on hand balances, cheques, debit and credit receivables in transfer. Bank overdrafts that are part of HEMA's cash-pull arrangements are offset with bank balances that are part of this arrangement. Cash on hand mainly relates to cash in tills.

All of the bank accounts are pledged to secure borrowings of the Company (note 16).

15 Equity Attributable to Shareholders

Shares and share capital

As of January 29 2012, the Company has 90,000 authorized shares with a par value of €1, of which 18,000 are fully paid this is unchanged compared to previous year.

Share premium

The total amount paid by the shareholders at the issuance of the shares was 108.9 of which 108.9 has been allocated to share premium. The share premium recognised in 2011 amounting to 219.3 consists of the capital contribution by Dutch Lion which is subsequently settled with part of the shareholder loan (see note 17). In 2009 a similar sett-off was executed for an amount of 80.

Other reserves

HEMA is a company incorporated under Dutch law. In accordance with B2 DCC, legal reserves have to be established in certain circumstances. The cash flow hedging reserve and other reserve are all legal reserves. Legal reserves are not available for distribution to the Company's shareholders. If the currency translation

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

15 Equity Attributable to Shareholders (Continued)

reserve, the cash flow hedging reserve or the other reserve has a negative balance, distributions to the Company's shareholders are restricted to the extent of the negative balance.

(in thousand euros)	Cash flow hedging reserve	Other reserve	Total
Balance as of January 31, 2010	(31,157)	478	(30,679)
Cash flow hedges			
• Fair value gains/(losses)	23,232	—	23,232
• Transfer to inventory	(2,112)	—	(2,112)
• Transfers to income statement	(212)	—	(212)
Balance as of January 30, 2011	(10,249)	478	(9,771)
Cash flow hedges			
• Fair value gains/(losses)	(4,936)	—	(4,936)
• Transfer to inventory	2,096	—	2,096
• Transfers to income statement	243	—	243
Balance as of January 29, 2012	(12,846)	478	(12,368)

Items in the statement above are disclosed net of tax. The total change in 2011 in the cashflow hedging reserve amounts to (2.6), (2010: 20.9).

Gains and losses on forward contracts recognised in cash flow hedging reserve will be released to the income statement in the next year. Gains and losses on the interest rate swaps recognised in cash flow hedging reserve will be released to the income statement in the next 2.5 years. As a result of restructuring the interest rate swap in 2011, (7.6) (loss) of the hedge reserve will be amortised to the income statement for the next 1.5 years. The restructuring also resulted in an ineffectiveness in the hedge relation of 7.6 (gain), of which will have an impact on the income statement for the next 2.5 years.

The cash flow hedging reserve amounting to (12.8) (negative) is the fair value of the interest rate swaps and the foreign exchange forward contracts for which hedge accounting is applied. The other reserve is recognised in relation to the capitalization of the development costs for the HEMA International concept.

Retained earnings

(in thousand euros)	
At January 31, 2010	(53,195)
Net profit/(loss) for the year	(18,320)
Change in other reserves	—
At January 30, 2011	(71,515)
Net profit/(loss) for the year	11,441
Change in other reserves	—
At January 29, 2012	(60,074)

16 Borrowings

	January 29, 2012		January 30, 2011	
(in million euros)	non-current portion	current portion	non-current portion	current portion
Borrowings	767.9	7.8	764.8	10.0
Total	767.9	7.8	764.8	10.0

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

16 Borrowings (Continued)

The current portion of the borrowings amounts 7.8 (2010:10.0) and relates to the mandatory repayment as required under the senior facility agreement.

The fair values of these borrowings, corresponding derivatives and the foreign exchange and interest rate risk management policies applied by HEMA are disclosed in note 24.

Borrowings

On July 5, 2007 the Company signed two facilities with a syndicate of two banks: a senior facility agreement (the 'Senior Facilities Agreement') and a mezzanine facility agreement (the 'Mezzanine Facility Agreement'). The Senior Facility Agreement comprises of three loan facilities ('Facility B', 'Facility C', 'Facility D'). The amount and due dates of the facilities as of January 29, 2012 are as follows:

<u>Principal (in million euros)</u>	<u>Due</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>After 5 years</u>	<u>January 30 2011</u>
Facility B	July 2015	3.9	275.7	—	279.6
Facility C	July 2016	3.9	275.8	—	279.7
Facility D	January 2017	—	—	80.0	80.0
Mezzanine facility	July 2017	—	—	120.0	120.0
Total		7.8	551.5	200.0	759.3
Rolled up interest mezzanine		—	—	30.8	30.8
		7.8	551.5	230.8	790.1
Deferred financing costs					(14.4)
Total					775.7

The amount and due dates of the facilities as of January 30, 2011 were as follows:

<u>Principal (in million euros)</u>	<u>Due</u>	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>After 5 years</u>	<u>January 30 2011</u>
Facility B	July 2015	5.0	279.6	—	284.6
Facility C	July 2016	5.0	—	279.7	284.7
Facility D	January 2017	—	—	80.0	80.0
Mezzanine facility	July 2017	—	—	120.0	120.0
Total		10.0	279.6	479.7	769.3
Rolled up interest mezzanine		—	—	23.4	23.4
		10.0	279.6	503.1	792.7
Deferred financing costs					(17.9)
Total					774.8

- The principal amount of Facility B amounts 295 and carries a floating interest rate of 1-months EURIBOR plus a spread of 250bps. As at December 22, 2009 the spread has been adjusted to 225bps. As at March 12, 2010 the spread has been adjusted to 200bps.
- The principal amount of Facility C amounts 295 and carries a floating interest rate of 1-months EURIBOR plus a spread of 300bps. As at March 12, 2010 the spread has been adjusted to 275bps.
- The principal amount of Facility D amounts 80 and carries a floating interest rate of 1-months EURIBOR plus a spread of 500bps.
- The principal amount of the Mezzanine facility amounts 120 and carries a floating interest rate of 1-months EURIBOR plus 850bps of which 1-months EURIBOR plus 350bps is paid in cash and 500bps is added to the principal.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

16 Borrowings (Continued)

All borrowings have to be repaid at maturity subject to certain mandatory prepayments (e.g. for received considerations for disposals) and repayment of excess cash flow as defined in the facilities agreements.

Fees and other costs directly related to the issuance of the facilities are deferred and are amortised over the term of maturity of the loans.

Group credit facility

HEMA has a multi-currency revolving credit facility of 70 which may be used for the general corporate and/or working capital purposes of the Company.

The exposure of the Company's borrowings (excluding the shareholders loan, finance leases and bank overdrafts) to interest rate changes and the contractual re-pricing dates before and after the effect of the interest rate swap on the balance sheet dates are as follows:

(in million euros)	2012	2013	2014	2015	2016
Senior facility	631.5	631.5	631.5	355.8	—
Mezzanine facility	158.8	167.0	175.6	184.6	194.1
Interest rate swaps	(500.0)	(500.0)	(500.0)	—	—
Total	<u>290.3</u>	<u>298.5</u>	<u>307.1</u>	<u>540.4</u>	<u>194.1</u>

The table above is based on the following:

- The mezzanine facility will increase as a result of accrued interest.
- Repayments on the senior facilities will be likely, but is not taken into account, since they depend on the annual cashflows of the company in the future, which are unknown at balance sheet date.
- In July 2015, July 2016 and January 2017, parts of the senior facilities reach their due dates and need to be repaid (refer to the tables above in this note).
- The current interest rate swap will expire in September 2014, as a result exposure increases significantly from that point. It is expected that the company will enter into new swaps in order to keep the volatility to interest rate changes on a low level. However, future contracts are not taken into account, since they do not exist at balance sheet date.

Covenants

The facilities contain customary covenants that place restrictions on disposals, mergers, acquisitions, investments and the incurrence of debt by the Company and its subsidiaries. In addition, the facilities are subject to two financial covenants: the net debt ratio (net debt over EBITDA) and cash interest cover ratio (EBITDA over cash interest). These covenants were applicable as of the first quarter of 2008. In financial year 2011 the Company has not been in breach with these covenants.

Substantially all of HEMA's assets have been pledged to the secure the facilities.

17 Shareholder Loan

The shareholder loan has a principal of 269.6 and carries a fixed interest rate of 13.5% per annum. The interest is added to the principal and will only be paid in cash at the election of the Company's Board of Managing Directors or at redemption. The shareholder loan has a maturity of 49 years and is due June 30 2056. Fees and other costs directly related to the issuance of the shareholder loan are deferred and are amortised over 9 years. The shareholder loan is, with respect to payment rights, redemption and rights of liquidation, winding up and dissolution, subordinated to all other present and future obligations of the Company.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

17 Shareholder Loan (Continued)

The movements in the shareholder loan are as follows:

(in million euros)	January 29 2012	January 30 2011
Net opening balance	340.4	297.6
Deferred financing costs	1.8	2.2
Gross opening balance	342.2	299.8
Conversion with share premium contribution	(219.3)	—
Rolled up interest	25.5	42.4
Gross closing balance	148.4	342.2
Deferred financing costs	(1.5)	(1.8)
Net closing balance	146.9	340.4

As of May 1, 2011, the shareholder loan was split into two separate instruments of 219.3 and the remainder of 134.4 including any unpaid interest accrued on the shareholder loan respectively. As of this date, Dutch Lion made a contribution amounting to 219.3 to the Company by way of conversion of the shareholder loan into share premium.

18 Other Non-Current Financial Liabilities

(in million euros)	January 29 2012	January 30 2011
Financial lease liabilities	4.4	3.8
Derivative financial instruments	16.0	—
Long term lease incentives	15.8	16.1
Total other financial liabilities	36.2	19.9

For more information on derivative financial instruments, see note 24.

Financial lease liabilities

Financial lease liabilities are payables as follows:

(in million euros)	January 29, 2012			January 30, 2011		
	Future minimum lease payments	Interest portion	Present value of minimum lease payments	Future minimum lease payments	Interest portion	Present value of minimum lease payments
Within one year	1.6	0.1	1.6	1.4	—	1.4
Between one and five years	4.9	0.9	3.9	4.2	0.8	3.4
After five years	0.7	0.2	0.5	0.7	0.3	0.4
Total	7.2	1.2	6.0	6.3	1.1	5.2
Current portion			1.6			1.4
Non-current portion			4.4			3.8
			6.0			5.2

The financial leases primarily relate to trucks used for logistic operations. Lease terms range from 6 to 7 years. At the time of entering into finance lease agreements, the commitments are recorded at their present value using the interest rate implicit in the lease, if this is practicable to determine; if not, the

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

18 Other Non-Current Financial Liabilities (Continued)

operating company specific interest rate applicable for long-term borrowings is used. During financial year 2011, new financial lease contracts are discounted at a rate of 8.0 percent (financial year 2010: 8.1 percent).

The Company has options to purchase the trucks for a nominal amount at the conclusion of the lease agreements.

The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

19 Employee Benefits

(in million euros)	January 29 2012	January 30 2011
Balance sheet obligations for		
Retirement benefit obligations	3.8	5.4
Other long-term benefits	5.0	5.0
	8.8	10.4
Current portion	1.8	2.5
Non-current portion	7.0	7.9
Income statement charge for		
Retirement benefit obligations	(0.1)	0.1
Other long-term benefits	0.6	0.4
	0.5	0.5

Retirement benefit obligations

HEMA operates unfunded defined benefit plans for qualifying employees of its subsidiaries in the Netherlands and Belgium. Under the plans, the employees are entitled to retirement benefits as a percentage of final salary on attainment of an early retirement age of 61 to 63. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at January 29, 2012 by independent actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

Movements in the present value of the defined benefit obligation in the current period were as follows:

(in million euros)	January 29 2012	January 30 2011
Opening defined benefit obligation	5.4	7.4
Current service costs	0.1	—
Interest costs	0.2	0.3
Contributions from plan participants	0.4	0.3
Actuarial losses/(gains)	(0.4)	(0.2)
Settlement losses/(gains)	—	—
Liabilities extinguished on settlements	(1.7)	(2.3)
Benefits paid	(0.2)	(0.1)
Closing defined benefit obligation	3.8	5.4

The amounts classified under liabilities extinguished on settlement relate to lump sum payments to BpFD ('*stichting bedrijfstakpensionenfonds voor de detailhandel*'). HEMA pays a lump sum to BpFD the moment an employee decides to make use of the plan. After settlement, HEMA has no further legal or constructive obligation to pay further amounts should the BpFD not pay the employee benefits.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

19 Employee Benefits (Continued)

The amounts recognised in the income statement are as follows:

(in million euros)	January 29 2012	January 30 2011
Current service costs	0.1	—
Interest costs	0.2	0.3
Actuarial losses/(gains)	(0.4)	(0.2)
Settlement losses/(gains)	—	—
Total, included in note 5 and 6	<u>(0.1)</u>	<u>0.1</u>

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	January 29 2012	January 30 2011
Discount rate(s)	2.5%	2.7%
Expected rate(s) of salary increase	1.5%	1.5%
Future pension increase	—	1.0%
Inflation rate	2.0%	1.0%

Management does not expect substantial changes in the contribution to the plan.

Multi-employer plan

The Company has a multi-employer plan that should be accounted for as a defined benefit plan. Virtually all employees of the Company are covered by such a plan that is financed by employees and employer. The plan is insured with BpFD and is a defined benefit scheme in respect of the retirement pensions. Paid pensions are related to the employee's average salary and the total employment period covered by the plan. This means that the Company should report its proportional share of the defined benefit commitments and the assets under management and expenses associated with the plan in the same manner as any other defined benefit plan, and provide the information required for such plans.

BpFD, however, is unable to provide sufficient information to report the Company's proportional share of the defined-benefit commitments and the assets under management and expense associated with the plan. There is also no agreement on how any surplus or deficit should be distributed to the participants in the pension plan. As a result, the scheme is reported as a defined contribution plan and accordingly cannot provide the disclosure requirements in respect of defined-benefit plans in IAS 19 'Employee Benefits'.

Long term employee benefits

The company provides a jubilee plan for all active employees under the collective labour agreement. Long term benefits such as jubilee plan are accounted for in the same way as defined benefit pension benefits.

Movements in the present value of the jubilee plan obligation in the current period were as follows:

(in million euros)	January 29 2012	January 30 2011
Opening obligation	5.0	5.0
Current service costs	0.3	0.3
Interest costs	0.3	0.3
Actuarial losses/(gains)	—	(0.2)
Benefits paid	<u>(0.6)</u>	<u>(0.4)</u>
Closing obligation	<u>5.0</u>	<u>5.0</u>

HEMA B.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(all amounts in million euros, unless otherwise stated)

19 Employee Benefits (Continued)

The amounts recognised in the income statement are as follows:

<u>(in million euros)</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Current service costs	0.3	0.3
Interest costs	0.3	0.3
Actuarial losses/(gains)	—	(0.2)
Total, included in labour costs (note 5)	<u>0.6</u>	<u>0.4</u>

The principal assumptions used for the purposes of the actuarial valuations were as follows:

<u>(in million euros)</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Discount rate(s)	4.3%	4.7%
Expected rate(s) of salary increase	2.5%	2.5%
Inflation rate	2.0%	2.0%

20 Provisions

The table below specifies the change in total provisions (current and non-current):

<u>(in million euros)</u>	<u>Restructuring</u>
As of January 30, 2011	
Current portion	—
Non-current portion	<u>0.3</u>
	0.3
Charged/credited to the income statement	
Additions charged to income	—
Used during the year	(0.1)
Release to income	—
Interest accretion	<u>—</u>
Closing carrying amount	0.2
As of January 29, 2012	
Current portion	—
Non-current portion	<u>0.2</u>
	0.2

Restructuring

The provision for restructuring and termination costs represents the present value of management's best estimate of the direct costs of the restructuring that are not associated with the ongoing activities of HEMA, including termination benefits.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

21 Trade and Other Payables

(in million euros)	January 29 2012	January 30 2011
Trade payable	155.3	164.2
Accrued expenses	60.9	70.0
Payroll taxes, social security and VAT	11.9	11.8
Amounts due to related parties	9.5	5.2
Payroll accruals	38.1	38.9
Other	8.5	9.0
Total trade and other payables	<u>284.2</u>	<u>299.1</u>

22 Other Financial Liabilities

(in million euros)	January 29 2012	January 30 2011
Financial lease liabilities—current portion	1.6	1.4
Interest	2.2	5.8
Derivative financial instruments	—	14.0
Total other financial liabilities	<u>3.8</u>	<u>21.2</u>

23 Cash Flow

The following table presents a reconciliation between the cash flow statements and the cash and cash equivalents as presented in the consolidated balance sheet:

(in million euros)	January 29 2012	January 30 2011
Cash and cash equivalents at the beginning of the year	133.8	103.3
Net cash from operating, investing and financing activities	0.6	30.5
Cash and cash equivalents at the end of the year	<u>134.4</u>	<u>133.8</u>

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet. See also note 14.

24 Financial Risk Management and Financial Instruments

Financial risk management

HEMA's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on HEMA's financial performance and capital. HEMA uses derivative financial instruments solely for the purpose of hedging exposure which corresponds to managing the interest rate and foreign exchange rate risks arising from the Company's operations and its sources of finance. HEMA does not enter into derivative financial instruments for speculative purposes.

HEMA's primary market risk exposures relate to foreign currency exchange rate and interest rate. In order to manage the risk arising from these exposures, various financial instruments may be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)**Foreign exchange rate risk**

The international purchase activities expose HEMA to a foreign cash flow exchange risk. It is HEMA's policy to cover foreign exchange transaction exposure in relation to existing firm purchase commitments. To protect the value of future foreign currency cash flows, HEMA enters into forward contracts.

- **Foreign currency sensitivity analysis**—The total purchasing volume in U.S. dollar and Hong Kong dollar is approximately 160. Assuming the Euro strengthens (weakens) by 1% against the U.S. dollar and Hong Kong dollar the direct result on cost of sales would be a decrease (increase) of circa 1.6. Market conditions determine if these changes actually occur and whether there is a simultaneous, offsetting effect on selling prices.

Interest rate risk

HEMA's interest rate risk arises primarily from its debt. To manage interest rate risk, HEMA has an interest rate management policy aimed at reducing volatility in its interest expense. HEMA's financial position is largely fixed by long-term debt issues and the use of derivative financial instruments such as interest rate swaps. As at January 29, 2012, after taking into account the effect of interest rate swaps, approximately 63 percent of HEMA's long term borrowings are at a fixed rate of interest.

- **Interest rate sensitivity analysis**—As a result of the interest rate swap, changes in EURIBOR only have an impact on the non-hedged part of the debt (37 percent). A change of 1%-point in EURIBOR has an impact of 2.9 on cashflow.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments as well as wholesale customers including outstanding receivables and committed purchase transactions. For banks and financial institutions only independently rated parties with a minimum rating of A are accepted. For wholesale customers use is made of contracts of guarantee. Also the credit quality is monitored bi-weekly. HEMA has no significant concentrations of credit risk. Sales to retail customers are settled in cash or by use of a credit card of one of the major credit card companies.

The majority of HEMA's past due but not impaired financial assets as of January 29, 2012, consists of receivables and is past due less than three months. The concentration of credit risk with respect to receivables is limited as it relates to the deliveries to the franchisees (there is no backlog in payments). As a result, management believes there is no further credit risk provision required in excess of the normal individual and collective impairment (based on an aging analysis) performed as of January 29, 2012. For further discussion on HEMA's receivables, see note 12.

Liquidity risk

HEMA manages its liquidity risk on a consolidated basis with cash provided from operating activities being a primary source of liquidity in addition to debt issuances in the capital markets, committed and uncommitted credit facilities, and available cash. HEMA manages short-term liquidity based on projected cash flows on a daily basis. As of January 29, 2012, HEMA has a multi-currency revolving credit facility of 70, which can be drawn on for working capital and general corporate purposes and 134.4 of cash balances available to manage its liquidity. Based on the current operating performance and liquidity position, the Company believes that cash provided by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends and scheduled debt repayment requirements for the next 12 months and the foreseeable future.

The following tables summarize the maturity profile of the Company's derivative and non-derivative financial liabilities as of January 29, 2012, and January 30, 2011, respectively, based on contractual undiscounted payments.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

Regarding the table below please note that the shareholder loan including accrued interest is not included since it is not likely that the shareholder loan will be paid at maturity date (for more details regarding the shareholder loan refer to note 17).

		Contractual cash flows			
(in million euros)	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
January 29, 2012					
Non derivative financial liabilities	1,066.0	328.0	761.4	203.9	1,293.2
Borrowings	768.0	34.4	756.5	203.2	994.1
Finance lease liabilities	6.0	1.6	4.9	0.7	7.2
Short term borrowings	7.8	7.8	—	—	7.7
Trade and other payables	284.2	284.2	—	—	284.2
Derivative financial liabilities	16.0	2.3	2.5	—	4.7
Derivatives inflow (including interest)	—	(7.1)	(12.1)	—	(19.2)
Derivatives outflow (including interest)	—	9.4	14.6	—	24.0
	1,082.0	330.2	763.9	203.9	1,297.9

		Contractual cash flows			
(in million euros)	Net carrying amount	Within 1 year	Between 1 and 5 years	After 5 years	Total
January 30, 2011					
Non derivative financial liabilities	1,079.0	344.0	438.4	586.6	1,369.0
Borrowings	764.8	33.6	434.2	585.9	1,053.6
Finance lease liabilities	5.2	1.4	4.2	0.7	6.3
Short term borrowings	10.0	10.0	—	—	10.0
Trade and other payables	299.1	299.1	—	—	299.1
Derivative financial liabilities	14.0	15.7	(1.3)	—	14.4
Derivatives inflow (including interest)		(111.3)	(13.2)	—	(124.5)
Derivatives outflow (including interest)		127.0	11.9	—	138.9
	1,093.0	359.7	437.1	586.6	1,383.4

All instruments held at the reporting date and for which payments are already contractually agreed have been included. Amounts in foreign currency have been translated using the reporting date closing rate. Cash flows arising from financial instruments carrying variable interest payments have been calculated using the forward curves interest rates as of January 29, 2012, and January 30, 2011, respectively.

Capital risk management

The Company's primary objective when managing capital is optimisation of its debt and equity balance in order to sustain the future development of the business and to maximize shareholder value. The Company is restricted by capital requirement. The Company cannot directly or indirectly, redeem, retire or otherwise withdraw any capital contributions made to the capital reserves. Nor can the Company convert such capital

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

contributions into shareholder loans or redeem, purchase, retire or otherwise acquire for consideration any shares or warrants issued. The capital structure of the Company consists of the following elements:

(in million original currencies)	Note	January 30 2011	January 31 2011
Total borrowings	16	790.1	792.7
Financial lease liabilities	18	6.0	5.2
Less: cash & cash equivalents	14	(134.4)	(133.8)
Net debt		661.7	664.1
Shareholder loan (excluding unamortised finance costs)	17	148.4	342.2
Equity	15	335.8	107.6
Total capital		1,145.9	1,113.9

Financial instruments—categories

The following tables present the carrying amounts for each of the categories of financial instruments:

(in million euros)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
January 29, 2012				
Assets as per balance sheet				
Derivative financial instruments	—	—	3.2	3.2
Trade and other receivable excluding prepayments	46.8	—	—	46.8
Cash and cash equivalents	134.4	—	—	134.4
Total	181.2	—	3.2	184.4

(in million euros)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised costs	Total
January 29, 2012				
Liabilities as per balance sheet				
Shareholder loan	—	—	146.9	146.9
Borrowings (current)	—	—	7.8	7.8
Borrowings (non-current)	—	—	767.9	767.9
Financial lease liabilities	—	—	6.0	6.0
Derivative financial instruments	—	16.0	—	16.0
Trade and other payables	—	—	284.2	284.2
Total	—	16.0	1,212.8	1,228.8

(in million euros)	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
January 30, 2011				
Assets as per balance sheet				
Derivative financial instruments	—	0.6	2.2	2.8
Trade and other receivable excluding prepayments	44.3	—	—	44.3
Cash and cash equivalents	133.8	—	—	133.8
Total	178.1	0.6	2.2	180.9

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

<u>(in million euros)</u>	<u>Liabilities at fair value through profit and loss</u>	<u>Derivatives used for hedging</u>	<u>Other financial liabilities at amortised costs</u>	<u>Total</u>
January 30, 2011				
Liabilities as per balance sheet				
Shareholder loan	—	—	340.4	340.4
Borrowings (current)	—	—	10.0	10.0
Borrowings (non-current)	—	—	764.8	764.8
Financial lease liabilities	—	—	5.2	5.2
Derivative financial instruments	—	14.0	—	14.0
Trade and other payables	—	—	299.1	299.1
Total	<u><u>—</u></u>	<u><u>14.0</u></u>	<u><u>1,419.5</u></u>	<u><u>1,433.5</u></u>

Financial instruments—fair values

Of HEMA's categories of financial instruments, only derivatives are measured at fair value using level 2. These derivatives are valued using quoted prices as input. These quoted prices are observable in the market, either directly (i.e. as prices) or indirectly (derived from prices). The fair value of the derivative instruments is based on the rates and quotations obtained from third parties.

The carrying amount of receivables, cash and cash equivalents, accounts payable and other current financial assets and liabilities approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss.

There is no active liquid market for the Company's bank loans and consequently the fair value of the bank loans cannot be determined based on quoted market prices. Therefore, the fair value of the bank loans has been estimated using information on current secondary trading levels for a basket of similar instruments of European retail companies. Based on this information the approximate fair value of the bank loans would be 731.8 (2010: 774.4) versus nominal 790.1 (2010: 792.7).

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

24 Financial Risk Management and Financial Instruments (Continued)

Derivatives

The number and maturities of derivative contracts, the fair values and the qualification of the instruments for accounting purposes are presented in the next table:

(in million euros)	January 29, 2012			January 30, 2011		
	# contracts	Assets	Liabilities	# contracts	Assets	Liabilities
Interest rate swaps—cash flow hedges						
Within one year	—	—	—	3	0.6	(11.9)
Between one and five years	1	—	(16.0)	1	2.2	—
After five years	—	—	—	—	—	—
Total interest rate swaps—cash flow hedges	1	—	(16.0)	4	2.8	(11.9)
Foreign currency forwards—cash flow hedges						
Within one year	289	3.2	—	268	—	(2.1)
Between one and five years	—	—	—	—	—	—
After five years	—	—	—	—	—	—
Foreign currency forwards—cash flow hedges	289	3.2	—	268	—	(2.1)
Total derivative financial instruments	290	3.2	(16.0)	272	2.8	(14.0)

Interest rate swaps designated as cash flow hedges are used to hedge cash flow EURIBOR interest rate risk on floating rate debt. Foreign currency forwards designated as cash flow hedges are used to hedge the variability in future cash flows denominated in foreign currencies.

The notional amounts of the derivative financial instruments outstanding as of January 29, 2012, are summarized below. The summary is based on the currency of the exposures being hedged and includes the gross amount of all notional values for outstanding contracts.

(in million original currencies)	HKD	GBP	USD	EUR
Interest rate swaps				
Within one year	—	—	—	—
Between one and five years	—	—	—	500.0
After five years	—	—	—	—
Foreign currency forwards				
Within one year	133.2	—	61.6	—
Between one and five years	—	—	—	—
After five years	—	—	—	—

As of the balance sheet date the forward contracts and hedge instruments are valued at fair value. HEMA has opted for hedge accounting for its derivatives. Gains and losses recognised in cash flow hedging reserve in equity will be released to the income statement over the remaining term of the interest rate swap being 2.5 years. In 2011 no fair value changes were recognised in the income statement. The amount that was recognised in equity of the interest rate swaps and foreign currency contracts was (2.6) (loss).

The stated value of the financial instruments is based on the mark-to-market value and is derived from the mid-market price as of the balance sheet date which is obtained from third parties.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

25 Related Party Transactions

Lion Capital LLP ('Lion Capital') is a leading private equity firm focused on the consumer sector. Entities managed by and/or related to Lion Capital own, or have an economic interest in (derivatives related to) capital and loan instruments of HEMA, HEMA's parent Dutch Lion B.V. and/or HEMA's ultimate shareholder Dutch Lion Coop. HEMA and Lion Capital have entered into a monitoring and oversight agreement under which Lion Capital provides consultancy and advisory services for an annual advisory fee amounting to 2.0.

HEMA has intercompany balances with its parent companies as follows (see note 12 and 21):

(in thousand euros)	January 29 2012	January 30 2011
Dutch Lion Management B.V.	64	44
Dutch Lion Coöperatief U.A.	2,874	283
Dutch Lion B.V.	(9,534)	(5,228)
Stichting Administratiekantoor Dutch Lion A	144	120
Stichting Administratiekantoor Dutch Lion B	234	189
Stichting Administratiekantoor Dutch Lion C	161	125
Total intercompany	<u>(6,057)</u>	<u>(4,467)</u>

The amounts due from parent companies relate to a recharge of finance costs and invoices that have been paid by HEMA on behalf of these companies. The amount payable to Dutch Lion B.V. mainly relates to corporate income taxes paid by HEMA on behalf of the fiscal unity. The balances will be settled at the time of an exit and accordingly it is uncertain when the amounts are settled. Considering the fact that it is uncertain when these amount are repaid the receivable is presented under the current assets and liabilities.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company determined that key management personnel consists of members of the management board. The compensation paid or payable to key management for employee services is shown below:

(in million euros)	January 29 2012	January 30 2011
Salaries and other short-term employee benefits	2.7	2.9
Termination benefits	—	—
Share based payments (see note 26)	—	—
Post-employment benefits	0.4	0.3
	<u>3.1</u>	<u>3.2</u>

See note 18 to the company financial statements for information on the remuneration of the board of managing directors.

26 Share-Based Compensation

Following the acquisition of HEMA on July 6, 2007, circa 70 senior managers of HEMA were offered the possibility to invest in Dutch Lion Coop, the ultimate parent of the Company. Under the plan introduced in February 2008, eligible management was offered, subject to certain terms and conditions, an investment in financial instruments of Dutch Lion Coop at the same conditions as Lion Capital. In December 2008 the plan was amended to reflect the new fiscal legislation related to this investment. The outstanding rights before and after the amendments were equal to each other. At the same time, but not related, a relatively small amount of additional investment was offered to the senior managers that participated in the plan at the same conditions as the earlier investment. All financial instruments are issued through foundations (Dutch: administratiekantoren) that hold the voting rights of the underlying instruments. The members of

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

26 Share-Based Compensation (Continued)

the board of managing directors were part of the senior managers who were offered the possibility to invest.

The investment contains a loan component and a membership right component. The investment in the loan component is disclosed by HEMA in accordance with IAS 24 'Related party transactions'. The membership right component falls under the scope of IFRS 2 'Share based payments'. The investment in membership rights is divided in A-ordinary capital contributions, B-ordinary capital contributions and preferred capital contributions. The difference between the various types of capital contributions is the way they share into the proceeds in case of a possible sale of the membership rights of Dutch Lion Coop. First the holders of the preferred capital contribution will receive a certain return and any remainder will be divided pro-rata over the holders of the A-ordinary capital contributions and B-ordinary capital contributions. The investment of HEMA's senior management in membership rights components equals 0.5% of the total membership rights outstanding of Dutch Lion Coop.

The total amounts invested by senior management with respect to the plan are:

(in million euros)	January 29 2012	January 30 2011
Amount of outstanding balances at beginning of the year	0.9	0.9
Amounts purchased by senior management	—	0.1
Amounts sold by senior management	—	(0.1)
Amount of outstanding balances at the end of the year	0.9	0.9

According to IFRS 2 the membership right component of the investment is considered to be an equity settled share-based payment transaction, since HEMA has no obligation to settle the share-based payment transaction (Dutch Lion Coop the ultimate parent of the Company has the obligation to settle). HEMA has prepared a valuation of the investment of the managers at each grant date. The fair value of the investment at all grant dates is zero, since the market value is below or equal to the nominal value to be paid by the participant for the investment in the equity component (and for completeness: also for the complete investment). The fair market value applied for the underlying membership rights is based on the shareholder value, which has been derived from the Enterprise Value ('EV') for the Company. For the determination of the fair value, EV/EBITDA multiples are applied which are based on a market approach by using trading multiples of comparable companies as a benchmark.

The grant date for a management plan is set at the date on which the Company and the participants in the Management Equity Plan have a shared understanding of and agree to the terms and conditions of the arrangement. No expense with respect to the investment has been incorporated in the income statement.

27 Operating Leases

HEMA leases all of its stores, as well as distribution centres, offices and other assets, under operating lease arrangements. Various properties leased under operating leases are (partially) subleased to third parties. The aggregate amounts of HEMA's minimum lease commitments payable to third parties under non-cancellable operating lease contracts are disclosed in the table below.

(in million euros)	January 29 2012	January 30 2011
Within one year	81.2	77.8
Between one and five years	235.0	233.4
After five years	229.9	234.5
Total	546.1	545.7

Commitments for rent exclude total sub-lease payments to be received amounting to 13.5 (2010: 15.8).

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

27 Operating Leases (Continued)

Certain store leases provide for contingent additional rentals based on a percentage of sales. Substantially all of the store leases have renewal options for additional terms. None of HEMA's leases impose restrictions on the ability of HEMA to pay dividends, incur additional debt, or enter into additional leasing arrangements.

The annual costs of HEMA's operating leases from continuing operations are disclosed in the table below.

(in million euros)	January 29 2012	January 30 2011
Minimum rentals	77.7	72.2
Sublease income	(4.1)	(4.1)
Total	<u>73.6</u>	<u>68.1</u>

28 Commitments and Contingencies

The contracted capital expenditure and purchase commitments at the end of the reporting period but not yet incurred is as follows:

(in million euros)	Purchase (volume) commitments	Capital expenditure commitments P, P&E	Capital expenditure commitments Intangible assets	Total
No later than 1 year	124.3	13.2	2.9	140.4
Later than 1 year but no later than 5 years	—	—	—	—
Later than 5 years	—	—	—	—
Total	<u>124.3</u>	<u>13.2</u>	<u>2.9</u>	<u>140.4</u>

Bank guarantees totalling of 3.3 have been issued by HEMA BV mainly relating to the rent of the headquarters (1.3), the customs (1.1) and other (0.9).

HEMA B.V. has a total of 1.1 of contingent assets for which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

29 Auditor's Fee

Auditor fees paid per category can be summarized as follows:

(In thousand euros)	January 29 2012	January 30 2011
Audit of the financial statements	173.5	173.5
Other audit engagements	43.6	46.0
Tax consultancy	170.9	247.8
Other non-audit engagements	17.0	7.4
Total	<u>405.0</u>	<u>474.7</u>

30 List of Subsidiaries

The following are HEMA's significant subsidiaries as of January 29, 2012. Unless otherwise indicated these are wholly owned consolidated subsidiaries.

HEMA B.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(all amounts in million euros, unless otherwise stated)

30 List of Subsidiaries (Continued)

The Netherlands

HEMA Bakkerijen B.V.*, Amsterdam
HEMA België B.V.*, Amsterdam
HEMA Duitsland B.V.*, Amsterdam
HEMA Financial Services B.V.*, Amsterdam
Vendopolis Assuradeuren B.V.*, Amsterdam
HEMA financiering B.V., Amsterdam

Europe

HEMA Deutschland GmbH, Essen
HEMA GmbH & CO KG, Essen
HEMA France S.A.S., Paris, France

Rest of the world

HEMA Far East Ltd., Hong Kong

HEMA GmbH & Co. KG, Essen, Germany, makes use of the exemption clause under Section 264b of the German Commercial Code regarding the preparation, auditing and publication of its financial statements.

* Pursuant to section 403 B2 DCC, HEMA has issued declarations of liability for these subsidiaries.

31 Employees

During 2011 the company employed approximately 5,912 full-time equivalents divided over the following 5 countries:

Number of employees in full-time equivalents	January 29 2012	January 30 2011
The Netherlands	5,144	5,165
Belgium	600	577
Germany	69	47
Luxembourg	19	13
France	80	30
Total	5,912	5,832

Salaries, social security charges and pension expenses amounted to 148.5, 23.0 and 10.7 respectively, for 2011 (2010: 143.8, 21.9, 10.7 respectively).

For information on the remuneration of the Management Board and the Supervisory Board see note 18 to the company financial statements.

OTHER INFORMATION
INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders of HEMA B.V.

Report on the financial statements

We have audited the accompanying financial statements 2011 of HEMA B.V., Amsterdam as set out on pages 18 to 86. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at January 29, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at January 29, 2012, the company income statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management board's responsibility

The management board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of HEMA B.V. as at January 29, 2012, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of HEMA B.V. as at January 29, 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the

OTHER INFORMATION
INDEPENDENT AUDITOR'S REPORT (Continued)

extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Rotterdam, March 23, 2012

Original signed by:
PricewaterhouseCoopers Accountants N.V.

J.G. Bod RA

The above auditor's report is the original auditor's report that was issued on March 23, 2012 with respect to the statutory financial statements for the period ending January 29, 2012. These financial statements also contained the management report and company financial statements. For purposes of the Offering Memorandum the management report and company financial statements have been omitted. Furthermore the page references in the original auditor's report refer to the statutory financial statements, which page reference compares to pages F-99 to F-143 in this Offering Memorandum.

STATUTORY APPROPRIATION OF THE RESULT

The holders of common shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to article 25 of the articles of association the income, after reservations made by the Board of Managing Directors in consultation with the Supervisory Board, will be available for distribution to the common shareholders upon approval at the General Meeting of Shareholders.

Amounts not paid in the form of dividends will be added to accumulated general reserves. Consequently, net profit/(loss) according to the company statements of operations is fully attributable to common shareholders. The proposed profit-sharing statement reads as follows:

<u>(in million euros)</u>	<u>January 29 2012</u>	<u>January 30 2011</u>
Net profit/(loss)	11.4	(18.3)
Dividends	—	—
Charged to the general reserves	<u>11.4</u>	<u>(18.3)</u>

HEMA BONDCO I B.V.
BALANCE SHEET
AS AT JUNE 17, 2014
(in thousand euros)

	June 17 2014
ASSETS	
Loan to Hema BV	565,000
Total non-current assets	565,000
Intercompany accounts	1
Total current assets	1
Total assets	565,001
Share capital	1
Retained earnings	—
Total equity	1
Senior Secured Notes	565,000
Total non-current liabilities	565,000
Total current liabilities	—
Total equity and liabilities	565,001

HEMA BONDCO II B.V.
BALANCE SHEET
AS AT JUNE 17, 2014
(in thousand euros)

	June 17 2014
ASSETS	
Loan to Hema BV	150,000
Total non-current assets	150,000
Intercompany accounts	1
Total current assets	1
Total assets	150,001
Share capital	1
Retained earnings	—
Total equity	1
Senior Notes	150,000
Total non-current liabilities	150,000
Total current liabilities	—
Total equity and liabilities	150,001

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