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Luxembourg Stock Exchange Listing Prospectus

Not for General Distribution
in the United States of America

Garfunkelux Holdco 3 S.A.

*(incorporated as a public limited liability company (société anonyme) in the Grand Duchy of Luxembourg ("**Luxembourg")**, having its registered office at 488, route de Longwy, L-1940 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B 197.551, Luxembourg)*

€365,000,000 7.500% Senior Secured Notes due 2022

Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg (the "**Issuer**"), is offering €365.0 million aggregate principal amount of its 7.500% Senior Secured Notes due 2022 (the "**Notes**"). The Issuer is an entity beneficially owned principally by funds advised by Permira Funds (as defined herein).

The Notes will mature on August 1, 2022. The Issuer will pay interest on the Notes semi-annually on each February 1 and August 1, commencing February 1, 2016. Prior to August 1, 2018, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant applicable premium. In addition, prior to August 1, 2018, the Issuer may redeem at its option up to 40% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings at the redemption price set forth in the Offering Memorandum, provided that at least 60% of the aggregate principal amount of the Notes remains outstanding. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law.

The Notes will be senior secured obligations of the Issuer and will be guaranteed on a senior basis (the "**Note Guarantees**"), (i) as of the Issue Date, by BidCo and (ii) within 60 days of the Completion Date (as defined herein), by Carl Holding GmbH (the "**Target**") if the Target Merger (as defined herein) has not become effective within such period. In addition, if the Structure Event occurs, then the Notes will no later than 10 business days thereafter be guaranteed on a senior basis by the Subsidiary Guarantors (as defined herein). As of the Issue Date, the Notes will be secured, subject to certain agreed security principles, by the Issue Date Collateral (as defined herein). Within 60 days of the Completion Date (or on such other date as specified herein), subject to certain agreed security principles, the Notes will also be secured by the Post Completion Date Collateral (as defined herein). If the Structure Event occurs, then no later than 10 business days thereafter, subject to certain agreed security principles, the Notes will also be secured by the GFKL Group Collateral (as defined herein). Under the terms of the Intercreditor Agreement (as defined herein), in the event of enforcement of the Collateral (as defined herein), holders of the Notes will receive proceeds from the Collateral only after the Super Senior Obligations (as defined herein) and certain amounts owed to the Security Agent, any receiver and certain creditor representatives have been repaid. The Issuer has undertaken to use its commercially reasonable efforts to complete the Structure Event within 21 months after the Completion Date. However, the failure to complete the Structure Event or provide the Subsidiary Guarantees and GFKL Group Collateral to the extent the Structure Event does not occur will not be a default under the Indenture.

There is currently no public market for the Notes. We have applied to have the Notes listed on the Official List of the Luxembourg Stock Exchange (the "**LuxSE**") and traded on the LuxSE's Euro MTF market (the "**Euro MTF Market**"), which is not a regulated market within the meaning of Directive 2004/39/EC on markets in financial instruments. There can be no assurance that the application will be accepted or that there will be a market for the Notes if the application is accepted.

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 30.

Price for the Notes: 100.000% plus accrued interest, if any, from the Issue Date.

We expect that the Notes will be delivered in book-entry form through Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on July 23, 2015 (the "**Issue Date**").

The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any other jurisdiction. The Issuer has not been and will not be registered under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance on the exemption provided by Section 3(c)(7) thereof. The Notes offered hereby are being offered by the Issuer in the United States to persons who are both Qualified Institutional Buyers ("QIBs") in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act ("Rule 144A") and Qualified Purchasers ("QPs") (as defined in Section 2(a)(51)(A) of the Investment Company Act) and outside the United States to persons who are neither U.S. persons (as defined in Regulation S under the U.S. Securities Act ("Regulation S")) nor U.S. residents (as defined for purposes of the Investment Company Act) in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "*Notice to Prospective U.S. Investors*" and "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions. The Issuer is a "covered fund" as defined in Section 13 of the Bank Holding Company Act (the "Volcker Rule"). The Notes may constitute an "ownership interest" within the meaning of the Volcker Rule. See "*Risk Factors—Risks Related to the Notes—The Volcker Rule may negatively affect the liquidity and the value of the Notes*" and "*Transfer Restrictions*."

Joint Bookrunners

Goldman Sachs International | **Citigroup** | **Credit Suisse** | **ING**

Physical Bookrunner

The date of this Listing Prospectus is September 18, 2015.

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IMPORTANT INFORMATION

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. 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, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. Neither we nor any of Goldman Sachs International, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited and ING Bank N.V., London Branch (together, the "**Initial Purchasers**") are responsible for your compliance with these legal requirements. See also "*Notice to Prospective U.S. Investors*," "*Notice to Certain European Investors*" and "*Plan of Distribution*."

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. In addition, neither we nor the Initial Purchasers nor any of our or their respective representatives are providing you with any legal, business, tax or other advice in this Offering Memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us and our subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference should be made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of certain of the documents referred to herein will be made available to prospective investors upon request to us.

The Initial Purchasers, the trustee and any other agents acting with respect to the Notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this Offering Memorandum and nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the trustee, or any other agents acting with respect to the Notes as to the past or the future.

By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers or their respective directors, affiliates, agents or advisors in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum or any pricing term sheet or supplement and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers.

The information contained in this Offering Memorandum is 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 out in this Offering Memorandum or in our business since the date of this Offering Memorandum.

The Issuer has prepared this Offering Memorandum solely for use in connection with the offer of the Notes and the Note Guarantees to persons who are both QIBs under Rule 144A and QPs (within the meaning of the Investment Company Act) and to investors who are non-U.S. persons (within the meaning of Regulation S) and non-U.S. residents (as defined for purposes of the Investment Company Act) outside the United States. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence. You must not use this Offering Memorandum for any other purpose, make copies of any part of this Offering Memorandum or give a copy of it to any other person; or disclose any information in this Offering Memorandum or distribute this Offering Memorandum to any other person, other than persons retained to advise you in connection with the purchase of the Notes.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions and agree not to use any information herein for any purpose other than considering an investment in the Notes. This Offering Memorandum may only be used for the purpose for which it was published. The information contained under "*Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*," is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream.

We will not, nor will any of our agents or the Initial Purchasers, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), any 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 offense. The Issuer has applied to list the Notes on the Official List of the Luxembourg Stock Exchange (the "**LuxSE**") for trading on the LuxSE's Euro MTF market (the "**Euro MTF Market**"), and will submit this Offering Memorandum to the competent authorities in connection with the listing application. This Offering Memorandum constitutes a prospectus for the purposes of Part IV of the Luxembourg act dated July 10, 2005 on prospectuses for securities, as amended (the "**Luxembourg Prospectus Law**"). The Notes will not be offered to the public in Luxembourg.

The Issuer is offering the Notes and the Guarantors are issuing the Note Guarantees, in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that do not involve a public offering. The Issuer has not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. The Notes are subject to restrictions on transferability and resale, which are described under "*Plan of Distribution*" and "*Transfer Restrictions*." By possessing this Offering Memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in that section of this Offering Memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

Tax Considerations

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price. See "*Taxation*."

STABILIZATION

IN CONNECTION WITH THIS OFFERING, GOLDMAN SACHS INTERNATIONAL (THE "**STABILIZATION MANAGER**") (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION 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 CAN BE NO ASSURANCES THAT THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED

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

NOTICE TO PROSPECTIVE U.S. INVESTORS

The Notes will be sold outside the United States to investors who are both non-U.S. persons pursuant to Regulation S and non-U.S. residents (as defined for purposes of the Investment Company Act) and within the United States to persons who are both QIBs and QPs. The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the U.S. Securities Act. The Issuer has not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7). The Notes shall not be offered, sold or delivered (i) as part of an Initial Purchaser's distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to Rule 144A and each dealer to which Notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. See "*Transfer Restrictions*."

CERTAIN VOLCKER RULE CONSIDERATIONS

The Issuer is relying on an analysis that it does not come within the definition of "investment company" under the U.S. Investment Company Act because of the exemption provided under Section 3(c)(7) thereunder. Consequently, the Issuer is considered to be a "covered fund" for purposes of Section 13 of the Bank Holding Company Act (the "**Volcker Rule**"). See "*Risk Factors—Risks Related to the Notes—The Volcker Rule may negatively affect the liquidity and the value of the Notes*" and "*Transfer Restrictions*".

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

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

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

Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time to:

(a) "qualified investors" as defined in the Prospectus Directive;

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

(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 Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to the prospectus in accordance with Article 16 of the Prospectus Directive.

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

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

Belgium

The Notes are not offered, directly or indirectly, to the public in Belgium. The Notes are being offered in Belgium to qualified investors only, within the meaning of Article 3, §2, a) and 10 of the Belgian law of June 16, 2006 on the public offering of securities and admission of securities to trading on a regulated market ("**Belgian Prospectus Law**") and/or on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law. Accordingly, these Listing Particulars have not been and will not be notified to, or approved by, the Belgian banking, finance and insurance commission (*Commissie voor het bank-, financie- en assurantiewezen/Commission bancaire, financiére et des assurances*). This Offering cannot be advertised and these Listing Particulars and any other information, circular, brochure or similar documents may not be distributed, directly or indirectly, in Belgium other than to said qualified investors or, as the case may be, other than on the basis of the other exemptions set out in Article 3, §2 of the Belgian Prospectus Law.

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 have not been or will 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 have been distributed or caused to be distributed and must be distributed or caused to be distributed to the public in France.

The Notes have only and will only be offered, sold or distributed in France to qualified investors (*investisseurs qualifiés*) and/or to persons providing 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*.

Germany

In the Federal Republic of Germany, the Notes may only be offered and sold in accordance with the provisions of the German Securities Prospectus Act (the "**Securities Prospectus Act**," *Wertpapierprospektgesetz* or WpPG) and any other applicable German legislation. No application has been made under German law to offer the Notes to the public in or out of the Federal Republic of Germany. The Notes are not registered or authorized for distribution under the German Securities Prospectus Act and accordingly may not be, and are not being, offered or advertised publicly or by public promotion. This Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom this Offering Memorandum is personally addressed and does not constitute an offer or advertisement to the public. In

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

Grand Duchy of Luxembourg

The offering of the Notes should not be considered a public offering of securities in Luxembourg. This Offering Memorandum may not be reproduced or used for any other purpose than the offering of the Notes nor provided to any person other than the recipient thereof. The Notes are offered to a limited number of qualified investors as defined in the Prospectus Directive in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

The Notes may not be offered or sold to the public within the territory of Luxembourg unless: (a) a prospectus has been duly approved by the *Commission de surveillance du secteur financier* (the "**CSSF**") pursuant to Part II of the Luxembourg Prospectus Law, implementing the Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**"), as amended including through Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010, if Luxembourg is the home Member State as defined under the Luxembourg Prospectus Law; or (b) if Luxembourg is not the home Member State, the CSSF and the European Securities and Markets Authority have been provided by the competent authority in the home Member State with a certificate of approval attesting that a prospectus in relation to the Notes has been drawn up in accordance with the Prospectus Directive and with a copy of the said prospectus; or (c) the offer of the Notes benefits from an exemption from or constitutes a transaction not subject to, the requirement to publish a prospectus pursuant to the Luxembourg Prospectus Law.

The Netherlands

The Notes which are the subject of the Offering contemplated by this Offering Memorandum are not and may not be offered in the Netherlands other than to persons or entities which are qualified investors as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht* or the "**AFS**"). Each purchaser of Notes described in this Offering Memorandum located in the Netherlands will be deemed to have represented, acknowledged and agreed that it is a qualified investor (*gekwalificeerde beleggers*) as defined in section 1:1 of the AFS. For the purposes of this provision, the expression an "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.

Norway

This Offering Memorandum has not been and will not be registered with the Norwegian prospectus authority. Accordingly, this Offering Memorandum may not be made available, nor may the Notes otherwise be marketed or offered for sale, in Norway other than in circumstances that are exempted from the prospectus requirements under the Norwegian Securities Trading Act (2007) chapter 7.

Spain

The Notes may not be offered or sold in Spain except in accordance with the requirements of the Spanish Securities Market Law 24/1988, of July 28 (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, and Royal Decree 1310/2005, of November 4, on the listing of securities, public offers and applicable prospectus, as amended (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*) (the "**Spanish Securities Market Law**"). The Notes may not be sold, offered or distributed to persons in Spain, except in circumstances which do not constitute a public offer (*oferta pública*) of securities in Spain, within the meaning of the Spanish Securities Market Law. Neither the Notes, this offering nor this Offering Memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*), and therefore it is not intended for the public offering or sale of the Notes in Spain.

Sweden

This Offering Memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med*

finansiella instrument) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this Offering Memorandum or will examine, approve or register this Offering Memorandum. Accordingly, this Offering Memorandum may not be made available, nor may the Notes, otherwise be marketed and offered for sale, in Sweden other than in circumstances that constitute an exemption from the requirement to prepare a prospectus under the Swedish Financial Instruments Trading Act.

United Kingdom

This Offering Memorandum is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to "qualified investors" as defined in the Prospectus Directive and accordingly the offer of Notes is not subject to the obligation to publish a prospectus within the meaning of the Prospectus Directive.

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

FORWARD-LOOKING STATEMENTS

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

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

- changes in the economic conditions in the markets in which we operate;
- our inability to purchase portfolios in sufficient volumes, at appropriate prices or of sufficient quality due to a lack of supply of such portfolios or lack of funding;
- reliance on a limited number of clients in key industries and a limited number of key suppliers;
- our clients' unwillingness to outsource debt collection to us;
- our inability to compete with businesses that may offer more attractive prices or have greater financing resources;
- operational errors in our collection process;
- negative attention on the debt purchase and collection industry or our operations;
- our inability to collect the expected amounts on our existing debt portfolios or deterioration in the value of our existing debt portfolios;
- changes in our regulatory environment;
- our inability to correctly assess pricing terms or anticipate reductions in the volume of claims we service;
- potential contractual obligations to purchase debt at unfavorable terms pursuant to forward flow agreements or to conduct enforcement activities in limited ways;
- our inability to secure funding on favorable terms to purchase further debt portfolios;
- inaccuracies in our statistical models and data;
- volatility due to the revaluation of our debt portfolios;
- inaccuracies in our estimates and assumptions;
- delays in the realization of cash returns on investments;
- our failure to renew existing contracts;
- the failure to comply with regulatory requirements and data protection laws by us or by our third-parties suppliers;
- our inability to successfully grow and integrate acquisitions;
- our failure to maintain and develop effective IT security or accurate data analysis systems or anticipate technological advances;
- our inability to absorb potential increased technology costs or adapt to technological advances;
- breach of confidentiality agreements;

- reliance on third parties, including lawyers and data providers, who could perform poorly or cease to provide services;
- reliance on our senior management team and trained employees;
- our inability to achieve our strategic goals;
- potential labor disputes or increases in labor costs;
- litigation, investigations and proceedings that may have negative impact on our business;
- the increase of consumer insolvencies;
- our portfolios including underlying legally defective and/or unenforceable debt documentation;
- an uneven debt portfolio supply;
- rising interest rates;
- the use of ineffective hedging;
- changes in tax audits, tax regimes and other tax treatments;
- insufficient resources to meet our reporting requirements or implement effective internal controls;
- the failure to register under the Investment Company Act;
- other risks associated with the transaction, our financial profile, the Notes, our structure and the financing; and
- other factors discussed or referred to in this Offering Memorandum.

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

We urge you to read carefully the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry and Market Data*" and "*Our Business*" for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not be accurate or occur at all. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made. In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

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

CURRENCY PRESENTATION AND DEFINITIONS

In this Offering Memorandum, all references to "**euro**," "**EUR**" or "**€**" are to the single currency of the participating member states of the European Monetary Union of the Treaty Establishing the European Community, as amended from time to time and all references to "**U.S. dollars**," "**US$**" and "**$**" are to the lawful currency of the United States of America.

Definitions

Unless otherwise specified or the context requires otherwise in this Offering Memorandum:

- "Acquisition" means the acquisition by BidCo of the sole issued share in the Target and the contribution by the Seller of the Shareholder Loan to the Target pursuant to the terms of the Acquisition Agreement;
- "Acquisition Agreement" means the agreement on the sale and purchase of the sole issued share in Target dated May 17, 2015 between the Seller and BidCo;
- "BidCo" means Garfunkel Holding GmbH;
- "BidCo Shareholder Loan" means the loan made pursuant to the BidCo Shareholder Loan Agreement;
- "BidCo Shareholder Loan Agreement" means the shareholder loan agreement entered into on the Completion Date between BidCo, as lender, and GFKL Holdco, as borrower, pursuant to which GFKL Holdco used the proceeds from such shareholder loan agreement to repay the Existing Credit Facility and cash collateralize certain guarantees of rental agreements;
- "CAGR" means compound annual growth rate;
- "Collateral" has the meaning ascribed to it under "*Summary—The Offering—Security*, *Enforcement of Security"*;
- "Completion Date" means June 30, 2015, the date on which the Acquisition was consummated;
- "Contribution Agreement" means the agreement dated prior to the Completion Date, among the Seller, as contributor, and Target, as beneficiary, whereby the Shareholder Loan was contributed into the capital reserve account of Target pursuant to section 272 paragraph 2 number 4 of the German Commercial Code;
- "DIG" means Domnowski Inkasso GmbH, an operating subsidiary of GFKL Holdco;
- "DMA" means Deutsche Multiauskunftei GmbH, an operating subsidiary of GFKL Holdco;
- "ERC" means estimated remaining collections, which are the future collections projected to be received on all of our purchase debt portfolios over a 180-month period (except as otherwise specified). ERC is presented here for illustrative purposes only and is different from the forecasts we use to calculate the fair value of our purchased debt portfolios as recognized in our consolidated financial statements. The fair value recognized in our consolidated financial statements is based on our own historical data and collection forecasts of typically up to 120 months and represents our estimate as to what an exit price would be in a single transaction referring to the specific debt portfolio. Any references to ERC in this Offering Memorandum are references to gross ERC (which includes estimated collections in respect of the principal balance, costs, service costs and fees). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics—Estimated Remaining Collections ("ERC")"*;
- "Executive Board" means the Executive Board of GFKL Holdco;
- "Existing Credit Facility" means the German law governed credit facility, including both a term loan and revolving facility, dated September 16, 2014, among, *inter alios*, GFKL Holdco as the borrower and certain banks as arrangers and redeemed on the Completion Date;
- "German Company Conversion" means the conversion of GFKL Holdco into a limited liability company incorporated under the laws of Germany (*Gesellschaft mit beschränkter Haftung* or "GmbH") being registered in the competent commercial register (*Handelsregister*);
- "GCG" means GFKL Collections GmbH, formerly known as SNT Inkasso & Forderungsmanagement GmbH, an operating subsidiary of GFKL Holdco;
- "GFKL" or "GFKL Group" means GFKL Holdco and its subsidiaries from time to time;
- "GFKL Group Collateral" has the meaning ascribed to it under "*Summary—The Offering—Security, Enforcement of Security*";

- “GFKL Holdco” means GFKL Financial Services Aktiengesellschaft and, following the Structure Event, GFKL Financial Services GmbH;
- “Group,” “we,” “us” or “our” refer to the Issuer and its consolidated subsidiaries from time to time, including the GFKL Group, which was acquired, together with the Target, on the Completion Date pursuant to the terms of Acquisition Agreement;
- “Guarantors” means BidCo and, upon their execution of a supplemental indenture, the Target, if applicable, and the Subsidiary Guarantors;
- “Holdco” means Garfunkelux Holdco 2 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 197.497;
- “IBW” means INKASSO BECKER WUPPERTAL GmbH & Co. KG, an operating subsidiary of GFKL Holdco;
- “IFRS” means the International Financial Reporting Standards, as adopted by the European Union;
- “Indenture” means the indenture to be dated the Issue Date governing the Notes by and among, *inter alios*, Holdco, the Issuer, BidCo and the Trustee;
- “Initial Purchasers” means Goldman Sachs International, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited and ING Bank N.V., London Branch;
- “Intercreditor Agreement” means the intercreditor agreement dated June 29, 2015, originally among, *inter alios*, the Issuer, the lenders under the Revolving Credit Facility Agreement, each obligor in respect of the Revolving Credit Facility and the Security Agent (to be acceded to by the Trustee on the Issue Date), as amended from time to time. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*”;
- “Investment Company Act” means the United States Investment Company Act of 1940, as amended;
- “Issue Date” means the date on which the Notes offered hereby are issued;
- “Issue Date Collateral” has the meaning ascribed to it under “*Summary—The Offering—Security, Enforcement of Security*”;
- “Issuer” means Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 197.551;
- “ITT” means intratech GmbH, an operating subsidiary of GFKL Holdco;
- “Milla Securitization” means the securitization program by which GFKL Holdco, PCS and IBW sold certain NPLs to Milla Securitisation (No. 1) Limited, a special purpose company established in Jersey, see “*Description of Certain Financing Arrangements—Milla Securitization*”;
- “Note Guarantees” has the meaning ascribed to it under “*Summary—The Offering—Note Guarantees*”;
- “Offering” means the offering of the Notes pursuant to the Offering Memorandum;
- “PCS” means Proceed Collection Services GmbH, an operating subsidiary of GFKL Holdco;
- “Permira Funds” has the meaning ascribed to “Permira V Fund” under “*Description of the Notes*”;
- “Person” means an individual, corporation (including a business trust), company, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof;
- “PPS” means Proceed Portfolio Services GmbH, an operating subsidiary of GFKL Holdco;
- “Proceeds Loan” means the loan made under the Proceeds Loan Agreement;
- “Proceeds Loan Agreement” means the notes proceeds loan agreement entered into on the Completion Date between the Issuer, as lender, and BidCo, as borrower, pursuant to which the proceeds of the Senior Secured Bridge Facility were, and following the Issue Date, the proceeds of this Offering will be deemed to have been, advanced to BidCo in order to allow BidCo to apply such proceeds as described in “*Use of Proceeds,*” as amended, accreted or partially repaid from time to time;

- "Qualified Purchaser" or "QP" means a Person who is a "qualified purchaser" as defined in Section 2(a)(51)(A) of the Investment Company Act;
- "Revolving Credit Facility" means the €60.0 million revolving credit facility made available under the Revolving Credit Facility Agreement;
- "Revolving Credit Facility Agreement" means the revolving credit facility agreement dated June 29, 2015 among, *inter alios*, BidCo, as borrower, and Goldman Sachs Bank USA, Citigroup Global Markets Limited, Credit Suisse AG, London Branch and ING Bank, a Branch of ING-DiBa AG, as arrangers, as the same may be further amended from time to time. Pursuant to the terms of the Revolving Credit Facility Agreement, a borrower may request to incur additional facilities under the Revolving Credit Facility Agreement in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC;
- "Security Agent" means Citibank, N.A., London Branch;
- "Seller" means Advent Carl Luxembourg Finance S.à r.l., a Luxembourg private limited liability company (*société à responsabilité limitée*), registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés de Luxembourg*) under number B 148035 with its registered office at 47, Grand Rue—L-1661 Luxembourg, Grand Duchy of Luxembourg and having a share capital of €1,030,001;
- "Senior Secured Bridge Facility" means the €365.0 million high yield bridge facility drawn on June 30, 2015 in connection with the Acquisition pursuant to the Senior Secured Bridge Facility Agreement, and to be repaid with the proceeds from the Offering;
- "Senior Secured Bridge Facility Agreement" means the high yield bridge facility agreement dated June 26, 2015 among the Issuer, as borrower, and Goldman Sachs Bank USA, Credit Suisse AG, London Branch, Citigroup Global Markets Limited and ING Bank, a Branch of ING-DiBa AG, as mandated lead arrangers, original lenders and bookrunners, and ING Bank, a Branch of ING-DiBa AG, as agent and Citibank N.A., London Branch as Security Agent;
- "Shareholder Loan" means the loan made pursuant to the Shareholder Loan Agreement;
- "Shareholder Loan Agreement" means the shareholder loan agreement dated December 16, 2009, as amended on June 27, 2012, among the Seller, as lender, and the Target, as borrower;
- "SIR" means Sirius Inkasso GmbH, an operating subsidiary of GFKL Holdco;
- "Sponsor" means the Permira Funds;
- "Squeeze-Out" means the acquisition by the Target (or any successor entity) of all of the ordinary shares of GFKL Holdco held by the minority shareholders pursuant to Sections 327a *et seq.* of the German Stock Companies Act (*Aktiengesetz*);
- "Structure Event" means the completion of the Squeeze-Out followed by the completion of the German Company Conversion;
- "Subsidiary Guarantors" means GFKL Holdco and other subsidiaries of the Issuer meeting, subject to the Agreed Security Principles at the time of grant, the Security Coverage Test (as defined under "*Description of the Notes—Certain Definitions*");
- "Target" means Carl Holding GmbH, the holder of 94.48% (including shares borrowed by the Target under a share loan, which was purchased by the Target in connection with the Acquisition) of the common shares (97.95% of the voting rights taking into account 3.54% of the outstanding shares held as treasury shares, see "*The Transactions*") of GFKL Holdco;
- "Target Merger" means the merger of the Target into BidCo, with BidCo being the surviving entity;
- "Transactions" means the Acquisition, the Offering, the execution of the Revolving Credit Facility Agreement, the repayment of the Existing Credit Facility and the cash collateralization of certain guarantees of rental agreements and the Structure Event;
- "Trustee" means Citibank, N.A., London Branch in its capacity as trustee under the Indenture; and
- "ZYK" means ZYKLOP INKASSO DEUTSCHLAND GmbH, an operating subsidiary of GFKL Holdco.

Information contained on any website referenced in this Offering Memorandum is not incorporated by reference in this Offering Memorandum and is not part of this Offering Memorandum.

GLOSSARY OF SELECTED TERMS

Term	Definition
"3PC"	third-party collection services business or third-party collection
"captive receivables management company"	a receivables management company or group of companies that forms part of a larger industrial and/or services conglomerate, which derives parts of its revenue from the servicing of debt originated by an entity within its group structure
"CMS"	credit management services
"DP"	debt purchase
"DPA"	data protection authorities
"EIR"	effective interest rate
"FTE"	full-time equivalent employee
"GRC"	Governance, Risk and Compliance Cockpit, a risk management and reporting tool employed by GFKL Holdco for compliance management
"IRR"	internal rate of return is the discount rate used to calculate the value of purchased debt portfolios
"large, well-known companies"	large, well-known companies are companies that have in excess of €50 million in annual revenue and are well-known beyond their region of operation
"Net IRR"	net internal rate of return is the discount rate used to calculate the value of purchased debt portfolios, deducting the cost of collection activities and overhead expenses
"non-captive receivables management company"	a non-captive receivables management company is, generally, a standalone business
"NPLs"	non-performing loans and receivables
"put-backs"	debtor accounts that differ from the characteristics specified in a purchase contract and that we typically sell back to the client at the purchase price or, depending on the contractual arrangement, at a subsequently negotiated price
"restricted cash"	restricted cash means payment transfer obligations that existed as of the respective balance sheet dates
"SMEs"	small and medium-sized enterprises

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Issuer is a holding company formed for the purpose of facilitating the Acquisition and other future potential transactions and is not expected to engage in any activities other than those related to its formation, the Acquisition and the financing of the Acquisition. The Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interests in the issued and outstanding shares of BidCo and its outstanding indebtedness under the Notes and any other future indebtedness and inter-company balances incurred in connection with the Acquisition and the other transactions described in the Offering Memorandum. We do not present in this Offering Memorandum any financial information or financial statements of the Issuer.

BidCo is a holding company formed for the purpose of facilitating the Acquisition and other future potential transactions and is not expected to engage in any activities other than those related to its formation, the Acquisition and the financing of the Acquisition. BidCo's only material assets and liabilities are currently, and are expected in the future to be, its interests in the issued and outstanding shares of the Target, and upon Target Merger, its interests in the issued and outstanding shares of GFKL Holdco, and its outstanding indebtedness under the Revolving Credit Facility Agreement and any other future indebtedness and inter-company balances incurred in connection with the Acquisition and the other transactions described in the Offering Memorandum. We do not present in this Offering Memorandum any financial information or financial statements of BidCo.

The Target is a holding company formed in 2009 in connection with the Seller's acquisition of the majority shares of the Company. It does not engage in any activities other than those related to its formation and its ownership of the majority of the shares of the Company. The Target's only material assets as of the date hereof are, and are expected in the future to be, its interests in the issued and outstanding shares of GFKL Holdco and intercompany loans to GFKL Holdco. In addition, the Target, prior to the Acquisition, had €2,336,541 of cash and cash equivalents (of which €1.7 million were used as part of the Acquisition consideration and/or costs and other fees related to the Transactions). As such, we do not present in this Offering Memorandum any financial information or financial statements of the Target.

All historical financial information included in this Offering Memorandum is that of GFKL Holdco and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- the unaudited condensed consolidated interim financial statements of GFKL Holdco as of and for the three-month period ended March 31, 2015, including the notes thereto (the "**Unaudited Condensed Consolidated Interim Financial Statements**");
- the audited consolidated financial statements of GFKL Holdco as of and for the year ended December 31, 2014 including the notes thereto (the "**2014 Audited Consolidated Financial Statements**"), which have been audited by Ernst & Young GmbH ("**E&Y**"), in accordance with Section 317 German Commercial Code (*Handelsgesetzbuch)* ("**HGB**"), and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*);
- the audited consolidated financial statements of GFKL Holdco as of and for the year ended December 31, 2013 including the notes thereto (the "**2013 Audited Consolidated Financial Statements**"), which have been audited by E&Y, in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*);
- the audited consolidated financial statements of GFKL Holdco as of and for the year ended December 31, 2012 including the notes thereto (the "**2012 Audited Consolidated Financial Statements**"), which have been audited by E&Y, in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*).

The Unaudited Condensed Consolidated Interim Financial Statements, the 2014 Audited Consolidated Financial Statements, the 2013 Audited Consolidated Financial Statements and the 2012 Audited Consolidated Financial Statements are together referred to as the "**Consolidated Financial Statements**;" the 2014 Audited Consolidated Financial Statements, the 2013 Audited Consolidated Financial Statements and the 2012 Audited Consolidated Financial Statements are together referred to as the "**Audited Consolidated Financial Statements**."

The Audited Consolidated Financial Statements included in this Offering Memorandum have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (*Handelsgesetzbuch).* The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IFRS on interim financial reporting (IAS 34).

The financial information as of and for the year ended December 31, 2012, was adjusted in the 2013 Audited Consolidated Financial Statements due to the first-time application of IAS 19R (relating to the treatment of interest expense on pension obligations) and the retrospective presentation of discontinued operations in the income statement according to IFRS 5. See notes II.2, II.3, III.12 and IV.10 to the 2013 Audited Consolidated Financial Statements. Accordingly, the financial information presented in this Offering Memorandum as of and for the year ended December 31, 2012 was derived from the comparative financial information included in the 2013 Audited Consolidated Financial Statements.

The Consolidated Financial Statements included in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the consolidated income statement, the consolidated balance sheet or the consolidated cash flow statement or other data included in such financial statements that may occur as a result of the purchase price allocation ("**PPA**") to be applied as a result of the Acquisition. The application of PPA adjustments could result in different carrying amounts for existing assets and liabilities, and assets and liabilities we may add to our consolidated balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our consolidated financial statements could be materially different from the Consolidated Financial Statements included in this Offering Memorandum once the PPA adjustments have been made. The Issuer will account for the Acquisition using the acquisition method of accounting.

In 2012, we disposed of GENEVA-ID GmbH, HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH and VR Inkasso Leasing & Consulting GmbH, and we acquired GCG (formerly known as SNT Inkasso and Forderungsmanagement GmbH). In 2013, we disposed of Domusvenda Holding, SGPS, S.A. In 2014, we acquired Deutsche Multiauskunftei GmbH and a 51% share in ITT. In the same year, we disposed of Mulitgéstion Portfolio S.L. and SBL Mobilien GmbH and liquidated Universal Lease IberiaProperties, S.L. The financial results of these entities were excluded or included, as the case may be, in our financial statements from the date of their disposal or acquisition, respectively. Due to the accounting impact of these disposal and acquisition transactions and consolidation of the operating results of the acquired businesses, our results as of and for the years ended December 31, 2012, 2013 and 2014 are not directly comparable. In addition, as we control ITT, we include 100% of its results in our financial statements, including our Reported EBITDA and related metrics. However, as we own only 51% of the entire issued share capital of ITT we are entitled to only 51% of its profit distributions.

The unaudited financial information for the twelve-month period ended March 31, 2015 included elsewhere in this Offering Memorandum is based on the Consolidated Financial Statements of GFKL Holdco and is calculated by taking the consolidated interim financial information for the three-month period ended March 31, 2015 derived from the Unaudited Condensed Consolidated Interim Financial Statements and its internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2014 derived from the 2014 Audited Consolidated Financial Statements and its internal accounting system and subtracting the consolidated interim financial information for the three-month period ended March 31, 2014 derived from the Unaudited Condensed Consolidated Interim Financial Statements and its internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

In the future, we will report our financial results at the level of the Issuer, on a consolidated basis.

Non-IFRS Financial Measures

This Offering Memorandum contains non-IFRS measures and ratios, including Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA that are not required by, or presented in accordance with, IFRS. Our non-IFRS measures are defined by us as set out below.

We define "**Reported EBITDA**" as consolidated profit/loss for the period before profit/loss from discontinued operations, income taxes, interest and similar expenses, interest and similar income and depreciation, amortization and impairment expense, each as shown in the Consolidated Financial Statements.

We define "**Normalized EBITDA**" as Reported EBITDA before non-recurring or extraordinary items. Non-recurring or extraordinary items include costs incurred in connection with certain restructurings and relocations, certain projects including projects in connection with our data analytics capabilities, provisions for contingent losses related to PCS, acquisition related corrections, provisions for VAT risks, revaluation effects related to PPS, the buyback of an issued promissory note, certain refinancing expenses, the sale of certain of our subsidiaries/affiliates, SIR's settlement with a former debt servicer, the release of certain provisions, the disposal and related litigation of our former subsidiary Domusvenda Holding SGPS S.A. and certain other adjustments.

We define "**Pro Forma Normalized EBITDA**" as Normalized EBITDA plus pro forma adjustments to account for the full year effects of certain projected rental savings. See "*Summary—Summary Consolidated Financial and Other Information*."

We define “**Adjusted EBITDA**” as Pro Forma Normalized EBITDA as adjusted for NPL portfolio amortizations, changes in fair value of our purchased debt portfolios and direct write-offs related to our product PayProtect.

We define “**Normalized cash flow from operating activities before interest and income tax payments**” as the sum of interest paid/interest received, net; income tax payments/(reimbursements); changes in restricted cash balances; operating cash flow from discontinued operations; change in balances from guaranteed collections; proceeds from the sale of a secured portfolio; and cash effective EBITDA normalizations. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Illustrative Economics—Cash Generation and Conversion*.”

For a reconciliation of our consolidated profit/loss for the period to Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA, see “*Summary Consolidated Financial and Other Information*.”

We present non-IFRS measures because we believe that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or be used as a substitute for an analysis of our operating result as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to consolidated profit/loss for the year or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. The non-IFRS measures have limitations as analytical tools. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and certain of these non-IFRS measures do not reflect any cash requirements that would be required for such replacements; and
- some of the exceptional items that we eliminate in calculating Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA reflect cash payments that were made, or will in the future be made.

Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA as used in this Offering Memorandum are not calculated in the same manner as “Consolidated EBITDA” is calculated pursuant to the Indenture governing the Notes as described under “*Description of the Notes*” or for purposes of any of our other indebtedness.

Pro Forma Non-IFRS Measures

In consideration of the Transactions, we have also presented the following *pro forma* measures:

“***Pro forma* total net debt**” means the Notes, the Revolving Credit Facility and the Milla Securitization, net of cash and cash equivalents (excluding any restricted cash). *Pro forma* total net debt has been presented for illustrative purposes only and does not purport to represent what our total net debt would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our total net debt for any future period or our financial condition at any future date.

“***Pro forma* cash interest expense**” means the interest expense in respect of the Notes, any commitment fees payable under our undrawn Revolving Credit Facility (we may draw on our Revolving Credit Facility to pay interest on the Notes if the German Company Conversion has not occurred on the first interest payment date of the Notes) and any interest under the Milla Securitization for the twelve-month period ended March 31, 2015 as if the Transactions had occurred on April 1, 2014, based on the coupon of the Notes. *Pro forma* cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. *Pro forma* 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 Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

We have presented *pro forma* non-IFRS measures to give effect to the Transactions and adjustments related to the described Transactions.

The *pro forma* non-IFRS measures, as identified above, have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, or other SEC requirements or IFRS standards.

Neither the assumptions underlying the *pro forma* adjustments nor the resulting *pro forma* non-IFRS measures have been audited in accordance with any generally accepted auditing standards.

These *pro forma* non-IFRS measures are not measures based on any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or results or other indicators of our position or performance based on IFRS measures. The *pro forma* non-IFRS measures, as provided for in this Offering Memorandum, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our *pro forma* non-IFRS measures are calculated. Even though these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our position or results as reported under IFRS.

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 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. The key performance indicators and other non-financial operating data included in this Offering Memorandum are defined as follows:

We define Estimated Remaining Collections ("**ERC**") as the future collections expected to be received on all of our purchased debt portfolios during a 180-month period. These projections were prepared for illustrative purposes only and are different from the forecast we use to calculate the fair value of our acquired debt portfolio as recognized in the Consolidated Financial Statements. The fair value recognized in the Consolidated Financial Statements is based on our own historical data and collection forecasts of typically up to 120 months, and represents our estimate as to what an exit price would be in a single transaction referring to the specific debt portfolio. References to ERC in this Offering Memorandum are references to gross ERC (which includes estimated collections in respect of the principal balance, service costs and fees). ERC calculations are often used by other companies to present collections estimates covering collection periods comparable throughout the receivables management industry (*e.g.*, 84-180 months), even though ERC might be calculated differently in detail. We believe that ERC represents an important supplemental measure to compare our cash generating capacity with other companies in the receivable management industry, even though we can provide no assurance that we will achieve such collections within the specified time period, or at all. After the Completion Date, certain permitted debt baskets under the covenants in the Indenture and under the Revolving Credit Facility Agreement may increase (each, as defined thereunder) up to an amount corresponding to a specified percentage of ERC calculated on an 84-month basis. See "*Description of the Notes.*" For more information about how we calculate ERC, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Metrics—Estimated Remaining Collections ("ERC")*."

We define "**purchased debt**" as all of our portfolios of non-performing unsecured loans and receivables acquired for settlement, including (i) those portfolios in respect of which we have the right to receive all future collections as a success fee and (ii) all portfolios included in the Milla Securitization, which we also recognize on our balance sheet.

Rounding

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in each of the Consolidated Financial Statements or the tabular presentation of other information (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof. With respect to financial information set out in this Offering Memorandum, a dash ("—") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but is or has been rounded to zero.

PRESENTATION OF INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data, market data and market forecasts set forth in this Offering Memorandum were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include a market study (the "**Company Market Study**") we commissioned in 2014 from a leading third-party consultancy firm. The Company Market Study is based on primary interviews and field visits conducted with industry experts and participants, secondary market research and internal financial and operational information supplied by, or on behalf of, us.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness.

While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information.

Certain information in this Offering Memorandum, including without limitation, statements regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants are based on our internal estimates and analyses and based in part on third-party sources.

We cannot assure you that our estimates or any of the assumptions underlying our estimates are accurate or correctly reflect our position in the industry. None of our internal surveys or information has been verified by any independent sources. Neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this Offering Memorandum relating to the operations, financial results or market share of our competitors has been obtained from publicly available information or independent research. Neither we nor the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.

Certain market share information and other statements presented herein regarding our position relative to our competitors are not based on published statistical data or information obtained from independent third parties, but reflects our best estimates. We have based these estimates upon information obtained from our clients, trade and business organizations and associations and other contacts in our industry.

In this Offering Memorandum, we refer to market positions based on our and our competitors' revenue. These claims are based on information we received from the aforementioned external sources or estimated internally based on the information available from the aforementioned external and other sources. Revenue recognition policies may differ among CMS companies and therefore the revenue figures may not be comparable. In addition, our competitors' businesses are subject to various legal requirements that may not be applicable to us and the rules and regulations we follow on revenue recognition may not apply to our competitors. We have not independently verified the accuracy or comparability of our competitors' revenue figures or our estimates thereof and potential investors should exercise caution with respect to comparative revenue figures presented in this Offering Memorandum. See "*Industry and Market Data*."

EXCHANGE RATE INFORMATION

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

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

	Period end	Average	High	Low
	U.S. dollars per €1.00			
Year				
2010	1.3366	1.3266	1.4510	1.1952
2011	1.2960	1.3998	1.4874	1.2925
2012	1.3197	1.2911	1.3463	1.2053
2013	1.3789	1.3300	1.3804	1.2772
2014	1.2100	1.3209	1.3925	1.2100
2015 (until September 17)	1.1435	1.1150	1.2104	1.0496
Month				
December 2014	1.2100	1.2312	1.2509	1.2100
January 2015	1.1288	1.1633	1.2099	1.1255
February 2015	1.1195	1.1351	1.1471	1.1195
March 2015	1.0728	1.0818	1.1201	1.0492
April 2015	1.1214	1.0821	1.1214	1.0582
May 2015	1.0973	1.1160	1.1432	1.0882
June 2015	1.1153	1.1229	1.1374	1.0919
July 2015	1.0984	1.0998	1.1162	1.0825
August 2015	1.1211	1.1145	1.1619	1.0881
September 2015 (until Septemer 17)	1.1435	1.1252	1.1129	1.1435

SUMMARY

This summary highlights certain information about us and the Offering described elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included elsewhere in this Offering Memorandum, including the Consolidated Financial Statements. You should read the entire Offering Memorandum carefully to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including, without limitation, the risks discussed under the captions "Risk Factors" and "Forward-Looking Statements."

Overview

We are the number one non-captive receivables management company and one of the top-four receivables management companies in Germany by 2013 revenue according to the Company Market Study. We specialize in third-party collections, debt purchase and the provision of value-added services for unsecured consumer debt. We provide debt collection services to, and acquire portfolios of overdue debt from, our clients, which are primarily corporate originators of consumer credit. We are a non-captive company, which means the debt which we are servicing stems from originators outside our Group. As of December 31, 2013, we held market-leading positions in the insurance and fitness sectors and top-five positions in the banking, retail, e-commerce, telecommunications and public sectors, as well as a top 10 position in the utilities sector in Germany measured by 2013 revenue. For the year ended December 31, 2014, we generated revenue of €243.8 million and Adjusted EBITDA of €66.5 million. For the twelve months ended March 31, 2015, we generated revenue of €250.9 million and Adjusted EBITDA of €72.6 million. For a discussion of how we define Adjusted EBITDA please see "*Presentation of Financial and Other Information*."

We provide our clients with a comprehensive approach to receivables management, including:

- *Third-Party Collection Services*. We provide debt collection and other receivables management services that are tailored to our clients' needs to help them improve cash flows from the recovery of outstanding balances from their debtors. Our offering covers all stages of the debt collection process, from amicable collections to litigation, enforcement and long-term monitoring. In addition, we provide our clients with a range of value-added services, including payment and risk management solutions, e-commerce solutions and data information services. These value-added services generally help us get involved earlier in the debt recovery process and ultimately build stronger relationships with our clients. They complement our core service offerings and differentiate us from competitors when it comes to new business opportunities. We also have a successful track record of carving out and acquiring our clients' existing in-house debt collection operations, including staff transfers, in exchange for multi-year collection agreements. For the twelve months ended March 31, 2015, 57% of our revenue was generated from our third-party collection services business, excluding lawyer service revenue and other services revenue (other services revenue is shown as "other" in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the 2014 Audited Consolidated Financial Statements). Lawyer service revenue is excluded as we typically earn service revenue from lawyers only where we have engaged such lawyers to assist with our collection efforts, however, this revenue does not have a positive impact on our Reported EBITDA or net income as the fees we pay to the lawyer are higher than the related service revenue we earn.
- *Debt Purchase*. We acquire unsecured, non-performing and defaulted debt portfolios from our clients, generally at a discount to the principal value of the debt, except for a small amount of debt that we purchase at face value through our PayProtect service. We use a market-standard approach to pricing debt portfolios, which, together with our collection effectiveness, has enabled us to achieve actual collections on our purchased debt portfolios that have exceeded our projected recoveries. As of December 31, 2014, actual amounts collected from our purchased debt portfolios (including put-backs and consideration received for the sale of our owned portfolios, and after tax payments for VAT and insurance) since September 30, 2003, which is when we began purchasing debt ("**Gross Collections**"), cumulatively exceeded the original forecast generated at the time of purchase by 21%. In our debt purchase business, we have been successful in engaging our clients in "forward flow agreements" in which we have agreed to purchase an amount of NPLs over a defined period of time at a pre-agreed price. As of December 31, 2014, 36% of our purchased portfolios were acquired in forward flow agreements, representing €106 million in debt purchased since September 30, 2003. Between September 30, 2003 and December 31, 2014, we have invested €296 million to acquire debt portfolios with an aggregate principal amount outstanding at the time of purchase (this amount may include accrued interest and fees at that time) of €3.2 billion. Over the same period, our Gross Collections were €610 million from our purchased portfolios, representing 2.1x our aggregate investment over more than

11 years, and had gross estimated remaining collections over a 180-month period of €452 million, generating a gross money multiple ("**Gross Money Multiple**") of 3.6x on a cumulative basis. The Gross Money Multiple represents the total expected cash return from purchased debt portfolios, calculated as the sum of Gross Collections achieved from September 30, 2003 to December 31, 2014 and ERC divided by the purchase price. For the twelve months ended March 31, 2015, 43% of our revenue excluding lawyer service revenue and other services revenue was generated from our debt purchase business (other services revenue is shown as "other" in the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the 2014 Audited Consolidated Financial Statements).

We operate a balanced, diversified business model, which we believe enables us to allocate resources efficiently and opportunistically between our third-party collection services and debt purchase businesses in response to changing market conditions (such as limited availability of debt for purchase), and provides us with substantial operational synergies. In particular, our debt collection clients are a significant source of origination for our debt purchase business and our debt purchase business benefits from the extensive expertise of our third-party collection services business to collect debt on our purchased portfolios. Our expertise in debt collection also enables us to price our purchased debt portfolios more effectively and maximize collections. Furthermore, the operation of both businesses and our diversification across various industries increases our ability to scale our business and supports the maintenance and expansion of our operating platform, analytical capabilities and skilled professional staff. For the twelve months ended March 31, 2015, our third-party collection services business generated 53% of its revenue from the insurance sector, with 12%, 11% and 7% derived from the telecommunications, banking and retail sectors, respectively. In the same period, our purchased debt business derived 31%, 25%, 11%, 9% and 7% of its revenue from the retail, financial services, telecommunications, fitness and insurance sectors, respectively. We boast a high visibility on our future revenue, underpinned by our long-term servicing contracts and sizeable number of portfolios of purchased debt. Out of the €243.8 million of revenue we generated in 2014, we estimate €210.1 million or, 86.1%, was realized through contractual arrangements in place as of January 1, 2014.

Several of our competitors operate as debt purchasers only, whereas others solely provide collection services. We believe our balanced business model is a competitive advantage over peers that operate only in one area. Our third-party collection services business, generally, does not require us to source capital financing or add risk to our balance sheet for defaulted debt (except for where we guarantee that we will successfully collect a certain percentage of the outstanding principal amount of claims), while our debt purchase business leverages our collection expertise and knowledge of debt portfolios to potentially earn higher margins and returns. We believe that our balanced business model and complementary revenue streams have contributed to our strong historical financial performance.

We provide creditors with a comprehensive overdue and defaulted debt services offering, thereby providing our clients with a holistic approach throughout the debt recovery process. We have long-standing relationships with a diversified client base, including more than 25 large, well-known companies and several thousand SMEs as well as other leading clients in the banking, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors.

In 2014, we won a number of new clients, of which 26 were large, well-known companies and more than a thousand were SME clients. In the first three months of 2015 alone, we won 16 large, well-known companies as new clients. Our top 10 clients across our two core business lines accounted for in aggregate 72% of our third-party collection services and debt purchase revenue for the year ended December 31, 2014, and approximately 91% of the face value of our purchased debt portfolios were acquired from repeat clients. A repeat client is a client, in our third-party collection services business, with whom we have had a contractual relationship for at least one year and, in our debt purchase business, with whom we have concluded a forward flow agreement. As of December 31, 2014, seven of our top ten existing clients, had been with us for at least three years. In addition, 74% of our revenue for the year ended December 31, 2014, was generated from clients (including former clients) with whom we had already established a relationship as of 2010. In the year ended December 31, 2014, we further formalized the strength of our client relationships by extending the average term of new contracts with large, well-known clients to 2.3 years, an increase from 1.7 years in 2013.

As of the date hereof, we operate exclusively in Germany, which is the largest consumer credit market in Europe according to the Company Market Study. The Company Market Study also estimates that as of December 31, 2013, Germany had approximately €310 billion of total unsecured consumer debt outstanding, including €9.5 billion of consumer defaulted debt. We believe Germany's recent economic improvements, including steady GDP growth, low unemployment rates and increasing net disposable income levels per capita in the years following the financial crisis of 2008-2009, together with a strong culture of repayment and creditor-friendly laws and regulations that encourage the settlement of defaulted debt, provide for a favorable environment for strong receivables management performance.

Further, we believe market conditions in Germany increasingly favor larger, more sophisticated receivables management companies, as smaller players in the debt collection market face increasing challenges, including limited access to funding for debt acquisition and high costs associated with the development and implementation of sophisticated IT systems required to comply with the latest regulatory demands in the receivables management industry. According to the Company Market Study, in 2014, “Tier I” debt collection companies with annual revenue of more than €100 million have outpaced broader market growth, growing at an annual rate of approximately 12% to 15% between 2011 and 2013. “Tier II” players, which comprise companies with annual revenue in the €10 million to €100 million range, have grown at a lower rate, with a representative sample of companies with annual revenue in the €30 million to €100 million range having grown at approximately 6% annually and a comparable sample of companies with annual revenue in the €10 million to €30 million range having grown at 1% annually. The Company Market Study estimates that the overall outsourced consumer NPL market is set to grow at approximately 4% per year in Germany over the next five years. We expect this trend to continue, with increased growth opportunities for Tier I companies, primarily through organic growth as well as the acquisition of smaller competitors.

As a result of our favorable position in an attractive market and our leading practices and services, we have enjoyed a strong record of returns, growth and improved profitability. For example, from 2012 to 2014, our revenue and Adjusted EBITDA grew at a compound annual growth rate (“**CAGR**”) of 24.6% and 17.5%, respectively.

As of December 31, 2014, we employed 801 full-time equivalent employees, representing 965 individual employees, operating in 12 locations throughout Germany (with one additional location added as of March 31, 2015), including our headquarters in Essen. Our receivables management teams, which consist of 698 FTEs as of December 31, 2014, are located at each of our major operating centers.

Illustrative Economics

- In our third-party collection services business, we manage overdue claims on behalf of our clients. As of December 31, 2014, we had €11.4 billion of third-party debt under management, which generated €86.6 million of revenue for the year ended December 31, 2014;
- In our debt purchase business, we acquire portfolios of defaulted debt from clients, typically at a discount to the outstanding principal value. The principal value at the time of purchase of our purchased debt acquired between September 30, 2003 and December 31, 2014 amounted to €3.2 billion. The purchase price totaled €296 million or 9% of principal value on average for debt purchased between September 30, 2003 and December 31, 2014. Based on our Gross Collections as of December 31, 2014 and ERC projections, we expect to collect 3.6x the purchase price over the next 15 years on the portfolios that we owned as of December 31, 2014.

The following table provides an overview of our business model and illustrative economics as of and for the year ended December 31, 2014.

<table>
<tr><th></th><th colspan="3">Third-Party Collection Services</th><th colspan="3">Debt Purchase</th></tr>
<tr><td>Business Model</td><td colspan="3">Activity: Manage portfolio of overdue claims on behalf of clients.
Objective: Maximize cash flows for clients through a variety of collection techniques.</td><td colspan="3">Activity: Acquire portfolios of overdue claims from clients at a discount to the outstanding principal and manage such claims.
Objective: Maximize cash flows and return on investment by using a variety of collection techniques.</td></tr>
<tr><td>Key Economics as of and for the year ended December 31, 2014, respectively</td><td colspan="3">Third-Party Debt under Management .... €11.4 billion
Collections .... €262 million
Revenue .... €86.6 million
Revenue as a Percentage of Collections .... 33%</td><td colspan="3">Principal Value of Purchased Debt[1] .... €3.2 billion
Total Price Paid as % of Principal Value 9.0%
Portfolio Purchase Price .... €296 million
Gross Collections .... €610 million
ERC .... €452 million
Gross Money Multiple[2] 3.6x
IRR (net of direct costs)[3] 32%
Years to Break Even (gross basis) .... <2.0</td></tr>
<tr><td rowspan="3">Revenue[4]</td><td colspan="3">For the year ended December 31,</td><td colspan="3">For the year ended December 31,</td></tr>
<tr><td>2012</td><td>2013</td><td>2014</td><td>2012</td><td>2013</td><td>2014</td></tr>
<tr><td>€66.2 million</td><td>€77.1 million</td><td>€86.6 million</td><td>€51.3 million</td><td>€61.4 million</td><td>€67.6 million</td></tr>
</table>

(1) Principal value of purchased debt is calculated as the principal amount that may include accrued interest and fees at the time of purchase of debt portfolios since 2003.

(2) Total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved from September 30, 2003 through December 31, 2014 and ERC divided by purchase price.

(3) IRR (net of direct costs) is calculated as the unlevered rate of return based on rebased collections (actual collections plus ERC) to 180 months net of cost to collect. Cost to collect means the direct costs related to the collection activities on purchased debt portfolios, such as staff expenses of employees allocated to collection activities on purchased debt portfolios, credit bureau data costs and legal costs associated with collections.

(4) Excludes revenue from lawyer services and other services (other services revenue shown as "other" in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the 2014 Audited Consolidated Financial Statements). The revenue from lawyer services was €39.5 million, €51.9 million and €87.9 million in 2012, 2013 and 2014, respectively. As we typically earn service revenue from lawyers only where we have engaged such lawyers to assist with our collection efforts, the service revenue from lawyers does not have a positive impact on our Reported EBITDA or net income as the fees we pay to the lawyer are higher than the related service revenue we earn. The revenue from other services was €0.0 million, €0.0 million and €1.7 million in 2012, 2013 and 2014, respectively.

Our Key Strengths

Attractive German Market Fundamentals Supporting Growth and Profitability

We operate exclusively in Germany, which is the largest unsecured consumer credit market in Europe, with approximately €310 billion of unsecured consumer credit as of December 31, 2013. Due to the large amount of consumer debt outstanding and despite low consumer default rates, Germany is one of the largest consumer NPL markets in Europe with approximately €9.5 billion of unsecured defaulted consumer debt for the year ended December 31, 2013 according to the Company Market Study. We also believe it is one of the most stable consumer markets due to the currently relatively positive macroeconomic conditions in Germany, including Germany's steady economic conditions, low interest rates, decreasing unemployment rates and low inflation.

We believe there is a strong repayment culture in Germany and creditor-friendly laws and regulations. The creditor-friendly legal system in Germany provides for enforcement through multiple routes and provides support for receivables management companies while also encouraging repayment by debtors. Creditors have a long enforcement period against debtors as the statute of limitations to apply for and obtain enforcement title against debtors is generally three years and, once obtained, the enforcement title is valid for 30 years. Further, under German law, creditors generally are entitled to charge to the debtor a number of additional amounts as damage caused by the delay of payment, including default interest, third-party collection services costs and legal costs. Furthermore, German laws and regulations have steadily increased fees for lawyers, which has in turn increased fees for receivables management companies. We believe this trend has increased the incentive for individuals to settle defaulted debts. We believe the currently stable economic conditions in Germany and a creditor-friendly legal system that encourages the settlement of defaulted debts have created a favorable environment for strong debt collection performance.

A diverse range of German businesses originate and outsource consumer credit, which we believe contributes to strong growth opportunities and a diversified customer base. German creditors from industries including banking, fitness, retail and telecommunications use a range of collection methods to support the consumer debt recovery process and typically outsource receivables collections. For example, according to the Company Market Study, in 2013 less than 26% of German consumer creditors relied solely on in-house staff for debt collection, while the majority of businesses outsourced debt collections to law firms or debt collection agencies. We believe that this will be a continuing trend in several sectors where, currently, in-house collection continues to be prevalent, resulting in growth opportunities for debt collection companies. According to the Company Market Study, the average outsourcing rate in 2013 was approximately 50%, albeit with significant variation by industry, from 10% in the public sector to over 80% in the telecommunications sector. Between 2009 and 2013, it was estimated that the increased propensity to outsource drove approximately three quarters of the growth in the German debt collection market. We believe the proportion of German companies that outsource receivables collections will continue to increase as outsourcing provides an attractive value proposition for many companies. For example, outsourcing the collection process to third-party agents provides companies with a number of benefits including cost reductions due to reduced administrative and labor costs, improved collection rates and a more professional approach to debt collection. Further, outsourcing the debt collection process provides the additional benefit of reducing management time devoted to what is typically a non-core activity and provides additional consistency in debt handling with a more robustly documented audit trail.

The Largest Non-captive Receivables Management Company in Germany

We are the number one non-captive receivables management company and one of the top-four receivables management companies in Germany by 2013 revenue according to the Company Market Study, with benefits of scale and diversification that we believe give us a significant competitive advantage in a fragmented market. The German receivables management market is highly competitive and currently includes approximately 900

competitors, although four firms, including the GFKL Group, represented approximately 40% of the market by revenue in 2013. By leveraging our existing scale, superior operating platform, comprehensive service offering, diversified sector expertise and extensive client base, we believe that we are well-positioned to capture a significant and growing market opportunity for third-party receivables management in Germany.

Further, we believe the scale of our market-leading services and product offerings better positions us to pursue multiple growth opportunities. For example, our diversified, full-service platform provides a "one-stop-shop" receivables management solution for our clients, with a wide range of services throughout the debt collection value chain, including outsourced collection services, purchases of debt portfolios and other receivables management services. In addition, our diversified business model provides tangible cross-selling opportunities with existing and new clients, which we believe benefit from the convenience and cost effectiveness of our comprehensive receivables management solutions. Our scale also allows us to provide a superior operating platform, with highly skilled talent, bespoke IT systems and sophisticated analytical and data capabilities that drive pricing and debt collection efficiencies.

We believe that large players with established receivables management practices are better suited to cover multiple sectors, service large, well-known companies and provide a comprehensive suite of cost-effective and efficient debt collection services that adhere to the highest compliance and regulatory standards. This belief is supported by the Company Market Study, which found that Tier I debt collection companies, such as GFKL, with revenue in excess of €100 million have outpaced broader market growth, growing at an annual rate of approximately 12-15% revenue growth between 2011 and 2013, compared to approximately 6% annually for a representative sample of Tier II companies with revenue in the €30 million to €100 million range and 1% annually for SME companies with revenue of between €10 million and €30 million. The Company Market Study estimates the outsourced consumer NPL market is set to grow at approximately 4% per year in Germany over the next five years. We believe that our scale allows us to explore opportunities to expand through acquisitions of other receivables management companies. We have a proven track record of integrating acquired companies into our corporate structure in order to maximize efficiency and value to our clients. As the industry matures, scale and sophistication become increasingly important differentiating factors which foster further consolidation.

Diversified Business Model with a Strong Position Across Sectors

We operate a balanced, diversified business model, with 57% and 43% of revenue (excluding lawyer service revenue and other services revenue) in the twelve months ended March 31, 2015 generated from our third-party collection services and debt purchase businesses, respectively (other services revenue is shown as "other" in the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the 2014 Audited Consolidated Financial Statements). We also generate revenue from a broad client base across a number of diverse business sectors, including the banking, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors. For the twelve months ended March 31, 2015, our third-party collections services business generated 53% of its revenue from the insurance sector, with 12%, 11% and 7% derived from the telecommunications, banking and retail sectors, respectively. For the same period, our debt purchase business derived 31%, 25%, 11%, 9% and 7% of our revenue from the retail, banking, telecommunications, fitness and insurance sectors, respectively.

We believe that our diversified business model increases our strategic flexibility by enabling us to efficiently and opportunistically allocate resources to our third-party debt collection or debt purchase businesses in response to changes in market conditions. For example, during competitive pricing periods for debt portfolios, we are able to focus resources on our third-party debt collection business. Similarly, our broad sector exposure allows us to allocate capital efficiently across industries to benefit from divergent industry dynamics in reaction to changes in the overall market. In addition, we believe that our ability to be nimble, to foster cross-selling and to further embed ourselves in our clients' receivables management value chain is critical to our success.

Our diversified business model gives us the ability to generate complementary revenue streams, and we also benefit from operational synergies. For example, our debt collection clients are a significant source of origination for our debt purchase business. Our expertise in debt collection also enables us to consistently improve our pricing accuracy on purchased debt portfolios and maximize recoveries. We believe that one of our competitive advantages is our improved ability to price debt portfolios accurately based on information contained in our extensive historical database. Furthermore, the operation of both our debt collection and debt purchase businesses increases our ability to scale our business and supports the maintenance and expansion of our operating platform, analytical capabilities and skilled professional staff.

Strong Client Relationships Providing Repeat Business and High New Business Win Rates

We benefit from strong, long-standing client relationships, many of which are with large companies that are well known to the public, across a broad range of industries. Our strong client relationships are evidenced by the fact that we have worked with many of our key clients for at least three years. For the year ended December 31, 2014, our top ten clients across our two core businesses accounted for in aggregate 72% of our third-party collection and debt purchasing revenue, and approximately 91% of the face value of our purchased debt portfolios was acquired from repeat clients. In addition, 74% of our revenue for the year ended December 31, 2014, was generated from clients with whom we had already established a relationship as of 2010. We believe these strong relationships with our clients have provided us with both a steady stream of business and revenue visibility.

In addition to maintaining long-standing relationships with our clients, we have enjoyed a strong track record of gaining new business. From January 1, 2013 to December 31, 2014, we achieved an increase of 45% in new business receivables under contract based on the face value of debt outstanding, including fees and other charges, and our average fixed new business contract length for large, well-known clients increased from 1.7 to 2.3 years. We continue to attract new clients, especially large, well-known companies, adding 20 such companies in 2012, 23 in 2013, 26 in 2014 and 16 in the first quarter of 2015.

Our multi-disciplinary sales teams are focused on developing client- and sector-specific skills to maximize business renewals and generate new business. We have a centralized sales force dedicated to our larger clients and specialized internal and external sales teams specialized in specific business sectors where we anticipate the greatest potential to generate increased revenue in the future.

Well Invested and Scalable Operating and IT Platform with Substantial Financial Benefits

We believe our focus and investment in improving our operating platforms and IT systems have provided us substantial benefits ranging from increased productivity and reduced costs to providing our clients with a wider variety of more effective debt collection solutions. For example, we centralized our mailing, archiving and scanning functions across all of our operations when we opened our GFKL Service Center in 2013. Since opening the center, we believe there has been an increase in onboarding and mailing productivity. In 2014, the center printed approximately 8.4 million pages and scanned more than 2.7 million new documents, while hosting more than five million files. From 2013 to 2014, our average calls per FTE (as of the respective year end) based on five call centers increased by 17.2%. From 2012 to 2014, our Gross Collections from third-party collection services per FTE (from continuing operations) as of the respective year end increased by 12.9%, and we improved our revenue per FTE (from continuing operations) as of the respective year end in continuing operations by 66.0%. We have also implemented a modern SAP-based enterprise resource planning system and backup data center. In the period between January 1, 2011 and December 31, 2014, we have invested €16.4 million in the acquisition of property, plant and equipment/intangible assets, which mainly related to our IT systems and related projects, with the goal of increasing standardization and automation while reducing operating costs by streamlining our IT operations.

In addition to internal investments and development, strategic acquisitions have helped us realize substantial improvements in our operating and IT platforms. For example, our acquisition of Deutsche Multiauskunftei GmbH ("**DMA**") in October 2014, an innovative, multi-sourcing data information company that provides a single point of access and collection for third-party data sources such as credit scoring information and contact details, has provided us a with a valuable tool to support our data analytics activities. Our highly skilled data analytics team, comprising mathematicians, statisticians and other professionals with in-depth market expertise in the credit risk and collection business, has leveraged DMA resources to develop and improve the analytical capabilities in our operations, such as the development of portfolio-specific scoring models to tailor collection strategies. We believe that the infrastructure and capabilities gained through DMA will result in increased collection rates and reduced process costs, and will ensure that all of our operating subsidiaries benefit from the best third-party debt collection data sources.

Strong and Disciplined Approach to Portfolio Pricing

We believe that our strong portfolio pricing processes have helped us maintain high portfolio returns and avoid overbidding for debt portfolios. Our centralized portfolio pricing process is principally divided into two phases, during which we undertake rigorous and extensive diligence and analysis of the investment opportunity in order to assess and determine an accurate return on our investment. In the first stage of our due diligence process, we typically receive certain high level, anonymized data points from the debt originator. In the second phase, we usually perform on-site file testing to assess the underlying quality of the portfolio before submitting our final bid. We believe that our thorough assessment of potential investment opportunities maximizes our ability to acquire lower risk and higher yielding portfolios. Our conservative approach, which results in GFKL bidding on approximately 60% of investment opportunities, has yielded strong cash returns while managing financial risks. In the period between September 30, 2003 and December 31, 2014, our Gross

Collections on our purchased debt portfolios cumulatively exceeded the original forecast generated at the time of purchase by 21%.

Cash Generative Business Model with Strong Earnings Visibility and Capital Deployment Optionality

We operate a diversified business model with complementary revenue streams that generate surplus cash available to reinvest in our business and to reduce our financial leverage. Our debt purchase business provides strong cash flow visibility and strong returns on investment, while our cash generative third-party collection services business contributes to efficient cash conversion that we believe gives us significant control over our liquidity and ability to grow our business.

Our third-party collection services business is cash generative and typically enables us to scale our business without requiring significant incremental investments. Our stable contractual arrangements provide visibility on future collections and the fees derived therefrom. Our Gross Collections from our third-party collection services business increased from €242.3 million in the year ended December 31, 2013 to €261.5 million in the year ended December 31, 2014. We believe that our business model and complementary revenue streams have contributed to our strong historical financial performance.

Our debt portfolio purchase business provides substantial visibility into future earnings and cash flow generation. As of December 31, 2014, we owned 198 debt portfolios containing 3.55 million accounts. Between September 30, 2003 and December 31, 2014, our Gross Collections on our purchased portfolios totaled €610 million, representing more than double our total initial investments of €296 million. Our portfolios are expected to continue to yield predictable cash flows, with ERC as of December 31, 2014 at €452 million, resulting in a Gross Money Multiple of 3.6x on portfolios purchased as of December 31, 2014. A substantial portion of our ERC is expected to be generated from older vintages of debt portfolios for which we have solid historical visibility on portfolio performance over time. Gross Collections on purchased debt increased from €86.7 million for the year ended December 31, 2013 to €91.6 million for the year ended December 31, 2014 despite a lower amount of debt portfolio purchases in 2014 (€27.8 million of acquisitions of purchased debt portfolios) compared to 2013 (€30.3 million of acquisitions of purchased debt portfolios as adjusted for a purchase made in December 2012), demonstrating the strength of our collection techniques as well as the ongoing revenue stream these assets provide. The selective nature of our portfolio investments enables us to proactively manage portfolio acquisition opportunities in light of our liquidity requirements.

Our Adjusted EBITDA, which we believe is indicative of our operating cash flows and reflects the intrinsically cash generative nature of our business, was €66.5 million in the year ended December 31, 2014 and €72.6 million for the twelve months ended March 31, 2015. For the year ended December 31, 2014 and for the twelve months ended March 31, 2015, our average cash conversion (Normalized cash flow from operating activities before interest and income tax payments as a percentage of Adjusted EBITDA) was 89.2% and 97.0%, respectively. As a result of our strong cash flow generation, we believe that we have the ability to continue our growth while deleveraging over time.

Successful and Experienced Management Team

We are managed by a strong executive team comprising individuals with many years of relevant experience and providing leadership across all functional areas of our business, including our chief executive officer, chief financial officer and chief operating officer, who have an average of 16 years of executive management experience. Our senior management team is supported by a skilled team of qualified professionals who operate our central functions and assist in the execution of our strategy. We have been named one of Germany's best employers for 10 consecutive years. We believe we have a strong staff retention rate by industry standards, with average tenure of 7.5 years, as well as an average turnover rate of approximately 5.1% as of December 31, 2014. Our current management team has been the driving force behind the repositioning of the company as a leading receivables management solutions provider in Germany. Since the beginning of their tenure, we have achieved significant improvements in our commercial, operating and financial effectiveness and results.

Our Strategy

Invest Further into our Long-Lasting Client Relationships

We expect significant opportunities in the receivables management industry in Germany. We strive to increase our market share by leveraging our strong client relationships with large, well-known companies operating in Germany and fostering our relationships with SMEs.

As our industry matures, we intend to further build on our differentiated services offering that addresses the full chain of the debt recovery cycle, and to further embed our operations within our clients' operations. We believe we are an industry leader in the ability to anticipate our clients' changing needs and adapt to market demands by developing innovative risk management solutions. For example, we expect to continue to

improve our analytics skills to help our clients benefit from an increasingly intelligent, data-driven debt purchase and collections approach.

Attract New Clients by Leveraging our Strong Franchise and Superior Services Offering

We intend to leverage our franchise, services offering and track record to further secure third-party collections and debt purchase agreements in the domestic market. We expect new market opportunities, as creditors are increasingly seeking a holistic, cost-efficient approach to receivables management that can limit financial and compliance risks. For example, the Company Market Study estimates that the increased propensity to outsource drove three quarters of the growth in the German debt collection market from 2009 to 2013. For small and medium-sized enterprises ("**SMEs**"), outsourcing the collection process to third-party agents provides cost benefits, improved collection rates and a more professional approach to debt collection. Larger creditors can also realize both financial benefits, such as higher collection rates than would otherwise be achievable, earlier cash flow and reduced administration costs, as well as non-financial benefits, such as a reduction in management time devoted to what is typically a non-core activity and more consistency in debt handling with a better audit trail. Furthermore, there is an ongoing trend to replace in-house departments with outsourced services in these companies. In addition, creditors in certain industries, such as public sector and utilities creditors, currently have low rates of outsourcing and present an additional potential growth area for our third-party receivables management services. As one of the Tier I players in the German market with a strong reputation for ethical, fair and efficient collection services, we believe that we are ideally positioned to capture outsourcing market growth, to further increase our growing sales and to secure a number of attractive partnerships and portfolio acquisitions going forward. Between January 1, 2014 and March 31, 2015, we originated 42 new large, well-known clients in total, of which 26 were acquired in 2014 and 16 were acquired in the first quarter of 2015.

We believe that our strong relationships with large, well-known companies, mostly based in Germany, along with our new shareholder's extensive network will lead to attractive opportunities to enter into additional collection agreements across all sectors in the coming years.

Participate Opportunistically in Consolidation of our Industry when Accretive Opportunities Exist and Pursue other Acquisition Opportunities

We have a strong track record of selective and accretive expansion in Germany, as demonstrated by our successful acquisitions of GCG in 2012, and ITT and DMA in 2014. We intend to participate opportunistically in the consolidation of the German receivables management industry in order to build on our scale, address untapped customer segments and create new client relationships, including through additional client collection platform carve-out transactions. We intend to strategically pursue further carve-out transactions with current clients and small, credit accretive bolt-on acquisitions, which we believe can be financed through our organic cash flow generation. We may also consider foreign acquisitions and other larger acquisitions if the opportunity is attractive. In addition to the aforementioned acquisitions, we also intend to continuously assess a number of potential purchased debt portfolio acquisition opportunities, including one that is significant in size. In connection with these potential acquisitions, we will continue to apply our strong and disciplined pricing approach.

Continuous Improvement and Sophistication of our Operating and IT Platforms and Automation Processes

To maintain our market position and extract further value from our large and scalable operating platform, we are continuously looking to improve our organization and to harmonize our core applications, which will in turn help us strengthen our client offering and operate more efficiently. We intend to continue leveraging synergies achieved from the centralization of our IT functions, our modern enterprise resource planning system and common document management system. We are currently finalizing the implementation of a business intelligence tool that harnesses all of our data assets into a centralized data warehouse that can be used in portfolio analysis and business reporting. The tool supports swift and thoughtful decision making by our analytics team through the constant monitoring of more than 50 key indicators. Our data analytics team has identified more than 50 operational initiatives that seek to improve the efficiency of our platform and the implementation timetable for each of these initiatives is currently being drafted. These efficiency improvements are expected to strengthen our service offering and value proposition by extracting further value more efficiently from portfolios and optimizing cash flows over time. We anticipate that this business intelligence tool will utilize data from our centralized data warehouse, which is currently being implemented.

The aforementioned projects, either recently achieved or currently being deployed, continue to contribute to operational enhancements of our platform that are expected to further strengthen our position among the best-in-class players. In addition, the high automation of our platform enables us to print approximately 8.4 million pages, process approximately 2.6 million in/outbound calls and scan more than 2.7 million new

documents per year. Our platform is able to accommodate additional capacity and absorb the future growth of our activities. We believe that through operational excellence and further centralization of our processes, we can achieve even higher automation within our operating platform, which we expect to lead to greater cost efficiency.

Our History

We were founded in 1992 and have grown to become the number one non-captive receivables management company and one of the top-four receivables management companies in Germany, as measured by 2013 revenue according to the Company Market Study. Our portfolio of activities was historically composed of leasing operations (mobile and real estate in Benelux, Germany, Spain, and the United Kingdom), software (Germany), factoring (Germany) and receivables management services in Germany and other European countries (Portugal, Spain, and Italy). From 1997-1998, we started our debt collection business and in 2003, we purchased our first German debt portfolio. In 2009, we were acquired by funds advised by Advent International Corporation and began a major refocusing of our business, embracing a new strategy to streamline our business and focus solely on receivables management activities. As part of our repositioning, we have simplified our operations considerably. As of December 2009, our Group comprised 24 consolidated subsidiaries, three associate companies and three minority investments. We employed 1,503 FTEs in our continuing operations on average that year and realized €211 million of revenue and €(48) million in Reported EBITDA. The current management team joined the Company between 2011 and 2012 and has successfully led the execution of our new strategic direction. From 2010 through 2014, we completed the disposal of all non-core assets, including all non-debt collection and non-German operations, resulting in a focused receivables management business that we believe is well-positioned for further profitable growth. Beginning in 2012, we have made strategic acquisitions to expand our value chain in the receivables management and debt purchase market in Germany. We acquired GCG (formerly SNT Inkasso and Forderungsmanagement GmbH) in 2012. In 2014, we acquired a majority stake in ITT and 100% of the shares of DMA. These acquisitions have allowed us to expand the scope and quality of our service offerings by adding analytical capabilities, such as data mining, and a broader set of industries, leading to more efficient and successful collections on both our clients' receivables and our purchased debt portfolios.

In continuation of our strategy to focus our business on core operations, we disposed of our last remaining non-German operation in July 2014 and now operate exclusively in Germany. Our core operations comprise the German-group parent, GFKL Financial Services Aktiengesellschaft ("**GFKL Holdco**"), eight domestic debt collection entities, as well as two domestic entities providing centralized services to all operating entities. We operate out of 13 locations throughout Germany, including our Essen headquarters.

The Transactions

On May 17, 2015, Garfunkel Holding GmbH, as purchaser ("**BidCo**"), and Advent Carl Luxembourg Finance S.à r.l., as seller (the "**Seller**"), entered into the Acquisition Agreement regarding the acquisition of the entire share capital of Carl Holding GmbH (the "**Acquisition**"). Carl Holding GmbH (the "**Target**") is the holder of the majority of shares in GFKL Holdco. Pursuant to the Acquisition Agreement, BidCo acquired the sole issued share of the Target for a maximum purchase price of €516,614,328 subject to certain purchase price adjustments. The Acquisition closed on June 30, 2015. The purchase price of the Acquisition was funded on the Completion Date by the proceeds from a high yield bridge facility (the "**Senior Secured Bridge Facility**") and an equity contribution from Permira Funds. Since the Completion Date, the Issuer, through its indirect subsidiary, the Target, holds 94.48% of GFKL Holdco (excluding treasury shares), with minority shareholders holding the remaining 2.05% until the acquisition by the Target of all of the ordinary shares of GFKL Holdco held by the minority shareholders pursuant to Sections 327a *et seq.* of the German Stock Companies Act (*Aktiengesetz*) (the "**Squeeze-Out**").

We expect to use the proceeds from the Offering, together with cash on hand, to fully repay the amounts drawn under the Senior Secured Bridge Facility and to pay fees and expenses incurred in connection with the Offering. See "*The Transactions*" and "*Use of Proceeds.*"

Trading Update

Our revenue for the four months ended April 30, 2015 was €84.9 million and Reported EBITDA was €17.8 million. These results are in line with our expectations.

The above information is not intended to be a comprehensive statement of our financial or operational results for the four months ended April 30, 2015. This information has been prepared by, and is the responsibility of, management, and has not been audited. As such, you should not place undue reliance on the information set forth above. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

Recent Developments

At the time of this Offering in July 2015, Permira Funds disclosed that it had entered into a period of exclusive discussions with a seller of a large receivables management company located outside of Germany. The discussions and diligence with respect to the potential target were, at the time, at a preliminary stage. Permira Funds disclosed that if it is able to successfully conclude negotiations with the seller, the asset may ultimately be acquired and financed by the Issuer and its subsidiaries in 2015 and would be material to the Group (the "**Potential Acquisition**"). Permira Funds further disclosed that if the Potential Acquisition happens, the Consolidated Senior Secured Leverage Ratio of the Issuer and its Restricted Subsidiaries (calculated using the applicable currency exchange rate in effect on June 30, 2015) would not be expected to exceed 4.25 to 1.0 and the Consolidated Leverage Ratio of the Issuer and its Restricted Subsidiaries (calculated using the applicable currency exchange rate in effect on June 30, 2015) would not be expected to exceed 5.5 to 1.0 (in all cases as defined under "*Description of the Notes*"). See "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*."

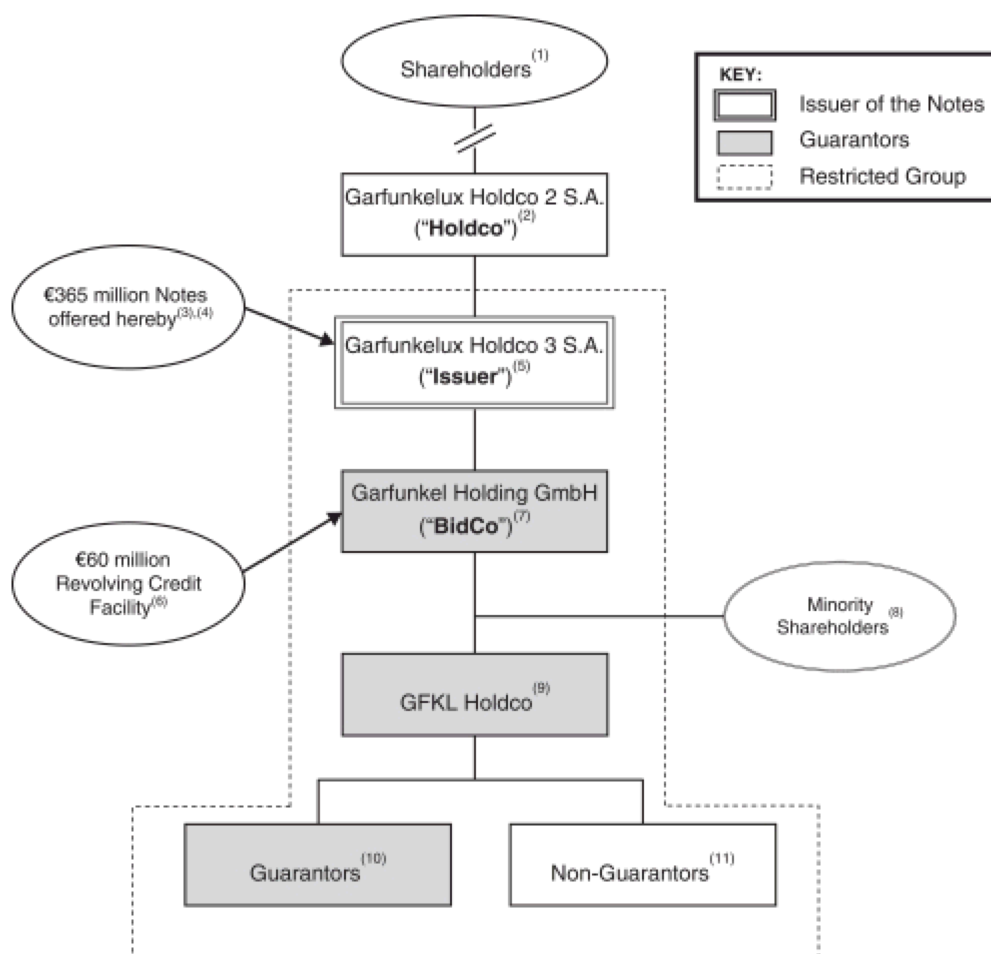
On August 7, 2015, Permira Funds announced that GFKL Group, a portfolio company, would merge with Lowell Group. This transaction is the Potential Acquisition referred to connection with the July 2015 offering by the Issuer (the indirect parent of GFKL Group) of the Notes. The Issuer has secured committed financing, subject to customary financing conditions, to permit itself and its direct parent company to raise additional debt to finance the acquisition consideration and, together with shareholder funding, to refinance debt of the Lowell Group. Permira Funds and the Issuer may, however, continue to explore financing options to optimize the capital structure of the combined group. Any debt raised by the Issuer and its subsidiaries will be limited by covenants in the indenture governing the Notes, which limit, in particular, the amount of incremental debt which may be incurred in connection with this transaction. The transaction, which is expected to close in the fourth quarter of 2015, is subject to certain regulatory approvals and customary closing conditions.

Principal Shareholders

Permira Funds is a European private equity firm with a global reach. Permira, as adviser to the Permira Funds, has approximately 130 professionals in 14 offices worldwide, including Dubai, Frankfurt, Guernsey, Hong Kong, London, Luxembourg, Madrid, Menlo Park, Milan, New York, Paris, Seoul, Stockholm and Tokyo. Since 1985, it has secured €25 billion of committed capital. Over the last three decades, Permira Funds has completed over 200 transactions, investing in companies across the five key sectors on which they are focused (Consumer, TMT, Industrials, Financial Services and Healthcare).

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum adjusted to give effect to the Transactions and the Target Merger. All entities shown below are 100% wholly owned unless otherwise indicated. The chart does not include all of our parent companies or subsidiaries, or all the debt obligations thereof, nor does it include the Milla Securitization, by which GFKL Holdco, PCS and IBW have sold certain purchased debt portfolios to the special purpose company Milla Securitisation (No. 1) Limited, which portfolios remain on our consolidated balance sheet. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "Description of the Notes," "Description of Certain Financing Arrangements" and "Capitalization."



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(1) The Permira Funds have beneficial ownership, indirectly through intermediate holding companies, of all of the share capital of the Target. The management equity participation program is expected to be implemented at the parent of Garfunkelux Holdco 2 S.A. See "*Principal Shareholders*." In addition to the proceeds from the issuance of the Senior Secured Bridge Facility, Permira Funds funded a portion (€261.5 million) of the purchase price of the Acquisition with equity which was contributed ultimately to the Issuer as ordinary shares.

(2) As of the Issue Date, the Notes will be secured by a share pledge over the shares of the Issuer which will be granted by Holdco.

(3) As of the Issue Date, the Notes will only be guaranteed on a senior basis by BidCo. Within 60 days of the Completion Date, the Notes will be guaranteed on a senior basis by the Target unless the Target Merger becomes effective by such date. In addition, if the Structure Event occurs, the Notes will be guaranteed on a senior basis by the Subsidiary Guarantors (including GFKL Holdco) no later than 10 business days thereafter. The Executive Board of GFKL Holdco may also approve, with such approval being in the sole discretion of the Executive Board of GFKL Holdco, the granting of all or a portion of the Note Guarantees of the Subsidiary Guarantors prior to the Structure Event. As of the Issue Date, the Notes will be secured by the Issue Date Collateral. Within 60 days of the Completion Date, the Notes will be secured by a first ranking security interest in the share capital of GFKL Holdco owned by the Target or BidCo as the case may be (if the Target Merger becomes effective in the period of five business days falling immediately before the end of such time period, the security over the share capital of GFKL Holdco shall be granted within five business days after the date falling 60 days after the Completion Date), and, if the Target Merger has not become effective within such period, the Target's receivables owed by any member of the GFKL Group, BidCo or the Issuer. If the application for the Target Merger has not been duly filed by September 30, 2015, the Notes will be secured by a first-ranking security interests in the share capital of the Target within five business days following September 30, 2015, *provided that* if the merger application is duly filed by September 30, 2015 but thereafter rejected and the Target Merger has not become effective on or before November 30, 2015, the Notes will be secured by first-ranking security interests in the share capital of the Target within five business days following November 30, 2015. If the Structure Event occurs, then, subject to the agreed security principles, no later than 10 business days thereafter, the Notes will also be secured by the GFKL Group Collateral. The Executive Board of GFKL Holdco may also approve, with such approval being in the sole discretion of the Executive Board of GFKL Holdco, the granting of all or a portion of the GFKL Group Collateral in advance of the Structure Event. The Issuer has undertaken to use its commercially reasonable efforts to complete the Structure Event within 21 months after the Completion Date, However the failure to complete the Structure Event or

provide the Subsidiary Guarantees and GFKL Group Collateral to the extent the Structure Event does not occur will not be a default under the Indenture.

(4) On the Issue Date, the Issuer will use the proceeds from the Notes to repay the Senior Secured Bridge Facility as described in "*Use of Proceeds*."

(5) The Issuer borrowed €365 million under its high yield bridge facility on June 30, 2015 in connection with the Acquisition pursuant to the Senior Secured Bridge Facility Agreement, which is expected to be repaid with the proceeds from the Offering. The gross proceeds from the Senior Secured Bridge Facility were on-lent by the Issuer to BidCo on the Completion Date, and the proceeds of the Offering will be deemed to have been on-lent by the Issuer to BidCo on the Issue Date, by way of the Proceeds Loan, which will be pledged on a first-ranking basis for the benefit of the Notes on the Issue Date. BidCo used a portion of the gross proceeds from the Proceeds Loan to pay the purchase price for the Acquisition. In addition, BidCo has lent a portion, totaling €92.8 million, of the gross proceeds from the Proceeds Loan to GFKL Holdco on the Completion Date pursuant to the BidCo Shareholder Loan Agreement, which will be pledged on a first-ranking basis for the benefit of the Notes as of the Issue Date. GFKL Holdco used the gross proceeds from the BidCo Shareholder Loan to repay the Existing Credit Facility and cash collateralize certain guarantees of rental agreements.

(6) We entered into the Revolving Credit Facility Agreement on June 29, 2015, which provides for up to €60.0 million of senior secured credit borrowings. The Revolving Credit Facility is secured by first ranking security interests over the Collateral, which will also secure the Notes and the Note Guarantees. Pursuant to the terms of the Revolving Credit Facility Agreement, the borrower may request to incur additional facilities under the Revolving Credit Facility Agreement in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC. Pursuant to the terms of the Intercreditor Agreement, the Revolving Credit Facility and certain hedging obligations are entitled to be repaid from the proceeds from enforcement in respect of the Collateral before any proceeds will be applied to repay obligations under the Notes. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*." We expect to draw on our Revolving Credit Facility to make interest payments on the Notes until the Structure Event is complete. See "*Risk Factors—Risks Related to Our Structure and the Financing—The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuer*."

(7) We expect the Target to merge into BidCo through an upstream merger with BidCo being the surviving entity of the merger (the "**Target Merger**"). If the aforementioned merger is not effective within 60 days of the Completion Date, the Target will guarantee the Notes on a senior basis and pledge intragroup receivables on a first-ranking basis for the benefit of the Notes within such period. In addition, if an application for the Target Merger has not been duly filed by September 30, 2015, the shares of the Target will be secured on a first-ranking basis for the benefit of the Notes within five business days of September 30, 2015, *provided* that if the merger application is duly filed by September 30, 2015 but thereafter rejected, and the merger has not become effective on or before November 30, 2015, BidCo will grant security over its shares in the Target within five business days of November 30, 2015.

(8) As of the Completion Date, we held 94.48% of the common shares (including shares borrowed by a share loan, which was purchased by the Target in connection with the Acquisition (we held 97.95% of the voting rights, taking into account 3.54% of the outstanding shares held as treasury shares)) of GFKL Holdco, with 2.05% held by the minority shareholders. We have undertaken to use our commercially reasonable efforts to complete the Squeeze-Out, whereby we will purchase the share capital held by the minority shareholders within 18 months of the Completion Date. The Issuer has undertaken to use its commercially reasonable efforts to complete the Structure Event within 21 months after the Completion Date. However, the failure to complete the Structure Event or provide the Subsidiary Guarantees and GFKL Group Collateral will not be a default under the Indenture.

(9) As of the Issue Date, none of GFKL Holdco or any of its subsidiaries will grant security interests in the Collateral or issue Note Guarantees. Under German corporate law, the Executive Board of GFKL Holdco may not be compelled by the shareholders of GFKL Holdco to require GFKL Holdco and its subsidiaries to grant security and issue the Note Guarantees. Furthermore, as an *Aktiengesellschaft*, a stock corporation under German law, GFKL Holdco is currently legally restricted in its ability to grant security interests in the Collateral and issue Note Guarantees particularly if the loans and proceeds primarily serve the purpose of (directly or indirectly) financing the purchase of its own shares ("**Financial Assistance**"). Before GFKL Holdco is converted into a *Gesellschaft mit beschränkter Haftung*, a German limited company (the "**German Company Conversion**"), any such grant of security or issuance of Note Guarantees would be limited in value to the amount on-lent by the Issuer to GFKL Holdco or its subsidiaries, which we expect in this instance to be €93.3 million. See "*Risk Factors—Risks Related to the Notes—The Collateral may not be sufficient to secure the obligations under the Notes.*" The conversion process normally takes up to three months to complete and is subject to registration in the commercial register. However, in this instance, the German Company Conversion can only be initiated once the ordinary shares of GFKL Holdco held by the minority shareholders of GFKL Holdco have been acquired by the majority shareholder of GFKL Holdco in the Squeeze-Out, which may take up to 18 months following the Completion Date. *See "The Transactions—Squeeze-Out and German Company Conversion*." As a result, if the Executive Board of GFKL Holdco refuses to provide for GFKL Holdco and its subsidiaries to grant security and issue the Note Guarantees, the Notes will not be secured and guaranteed by GFKL Holdco or any of its subsidiaries until after the Structure Event, if any. The Issuer has undertaken to use its commercially reasonable efforts to complete the Structure Event within 21 months after the Completion Date. However the failure to complete the Structure Event or provide the Subsidiary Guarantees and GFKL Group Collateral to the extent the Structure Event does not occur will not be a default under the Indenture. See "*Risk Factors—Risks Related to Our Structure and the Financing—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*—Certain Collateral will not initially secure the Notes" and "Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations."*

(10) The Note Guarantees will be subject to certain limitations under applicable law, as described under "*Risk Factors—Risks Related to Our Structure and the Financing—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*" and "*Certain Limitations on the Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

(11) Our non-Guarantor subsidiaries include our non-wholly owned subsidiary ITT, in which we currently hold a 51% interest. We acquired our majority interest in ITT in July 2014. The minority interest in ITT is held by Mr. Frank Haße, one of the managing directors of ITT. In addition, as we control ITT, we include 100% of its results in our financial statements, including our Reported EBITDA and related metrics. However, as we own only 51% of the entire issued share capital of ITT we are entitled to only 51% of its profits.

THE OFFERING

The following summary contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, including certain definitions of terms used in this summary, see "Description of Certain Financing Arrangements" and "Description of the Notes."

Issuer	Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg.
Notes Offered	€365.0 million aggregate principal amount of 7.500% Senior Secured Notes due 2022.
Issue Date	July 23, 2015.
Issue Price	100.000% (plus accrued and unpaid interest from the Issue Date).
Maturity Date	August 1, 2022.
Interest Rate	7.500% per annum. Interest on the Notes will accrue from the Issue Date.
Interest Payment Dates	Interest is payable on the Notes semi-annually in arrears on February 1 and August 1 of each year, beginning on February 1, 2016.
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer; • rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including indebtedness incurred under the Revolving Credit Facility Agreement and certain hedging obligations; • rank senior in right of payment to any existing and future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes; • be effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and • be structurally subordinated to any existing or future indebtedness of the Issuer's subsidiaries that do not guarantee the Notes including obligations to trade creditors. The Notes will be subject to the terms of the Intercreditor Agreement, including, subject to certain exceptions and turnover provisions. In addition, the Issuer's obligations in respect of the Notes may be released in certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."
Note Guarantees	The Notes will be guaranteed (the "**Note Guarantees**") on a senior basis (i) on the Issue Date, by BidCo (the "**Initial Guarantor**") and (ii) within 60 days following the Completion

Date, unless the Target Merger has become effective by the end of such period, by the Target. In addition, if the Structure Event occurs, the Notes shall, no later than 10 business days thereafter, be guaranteed by GFKL Holdco and other subsidiaries of the Issuer meeting, subject to the Agreed Security Principles at the time of grant, the Security Coverage Test unless the Security Coverage Test has been previously satisfied (as defined under "*Description of the Notes—Certain Definitions*") (collectively, the "**Subsidiary Guarantors**" and, together with the Initial Guarantor and the Target (if applicable), the "**Guarantors**"). The Issuer has undertaken to use its commercially reasonable efforts to complete the Structure Event within 21 months after the Completion Date. However, the failure to complete the Structure Event or provide the Subsidiary Guarantees and GFKL Group Collateral to the extent the Structure Event does not occur will not be a default under the Indenture.

The Executive Board of GFKL Holdco may also approve, with such approval being in the sole discretion of the Executive Board of GFKL Holdco, the granting of all or a portion of the Note Guarantees of the Subsidiary Guarantors prior to the Structure Event.

Ranking of the Note Guarantees

The Note Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee, including that Guarantor's obligations under the Revolving Credit Facility Agreement and certain hedging obligations;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- be effectively subordinated to any existing and future indebtedness or obligation of that Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such other indebtedness; and
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not Note Guarantors.

The Note Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Note Guarantees.*"

Security, Enforcement of Security

On the Issue Date, the Notes will be secured by a first-ranking security interest in:

- the share capital of the Issuer and BidCo;
- Holdco's receivables under any loans from Holdco to the Issuer;

- the Issuer's receivables under the proceeds loan from the Issuer to BidCo and any other receivables of the Issuer under proceeds loans made to its direct and indirect subsidiaries, BidCo or the Target;
- bank accounts of the Issuer and BidCo; and
- BidCo's rights under the Acquisition Agreement and its receivables owed by Target, the Issuer or any member of the GFKL Group (collectively, the "**Issue Date Collateral**").

Within 60 days of the Completion Date, the Notes will be secured by a first-ranking security interest in (i) the share capital of GFKL Holdco owned by the Target or BidCo, as the case may be; *provided* that if the Target Merger becomes effective in the period of five business days falling immediately before the end of such time period, the security over the share capital of GFKL Holdco shall be granted within five business days after the date falling 60 days after the Completion Date, and (ii) if the Target Merger has not become effective within 60 days of the Completion Date, the Target's receivables owed by any member of the GFKL Group, BidCo or the Issuer. If the application for the Target Merger has not been duly filed by September 30, 2015, the Notes will be secured by a first-ranking security interests in the share capital of the Target within five business days following September 30, 2015, provided that if the merger application is duly filed by September 30, 2015 but thereafter rejected, and the Target Merger has not become effective on or before November 30, 2015, the Notes will be secured by a first-ranking security interest in the share capital of the Target within five business days of November 30, 2015 (the "**Post Completion Date Collateral**").

If the Structure Event occurs, then no later than 10 business days therafter the Notes will be secured, subject to the Agreed Security Principles, by first-ranking security interests in:

- the share capital of the Subsidiary Guarantors (other than GFKL Holdco) held by members of the Group; and
- all intragroup receivables of the Subsidiary Guarantors

(collectively, the "**GFKL Group Collateral**" and, together with the Issue Date Collateral and the Post Completion Date Collateral, the "**Collateral**"). The Issuer has undertaken to use its commercially reasonable efforts to complete the Structure Event within 21 months after the Completion Date. However the failure to complete the Structure Event or provide the Subsidiary Guarantees and GFKL Group Collateral, to the extent the Structure Event does not occur, will not be a default under the Indenture. The Executive Board of GFKL Holdco may also approve, with such approval being in the sole discretion of the Executive Board of GFKL Holdco, the granting of all or a portion of the GFKL Group Collateral in advance of the Structure Event.

As of the Issue Date, GFKL Holdco and its subsidiaries will not grant security interests in the Collateral or issue Note Guarantees. As an *Aktiengesellschaft* ("**AG**"), a stock corporation under German law, GFKL Holdco is currently legally restricted in its ability to grant security interests in the Collateral and issue Note Guarantees particularly if the loans and proceeds primarily serve the purpose of (directly or indirectly) purchasing its own shares. Pursuant to the Indenture, the Issuer will undertake to convert

GFKL Holdco into a *Gesellschaft mit beschränkter Haftung ("***GmbH***")*, a German limited company. This conversion is subject to registration within the commercial register. The conversion process normally takes up to three months to complete. However, this conversion can only be initiated once the remaining ordinary shares of GFKL Holdco have been acquired from the minority shareholders pursuant to the Squeeze-Out. As a result, if the Executive Board of GFKL Holdco refuses to approve the granting of security and the issue of the Note Guarantees by GFKL Holdco and its subsidiaries, the Notes will not be secured and guaranteed by GFKL Holdco or any of its subsidiaries until after the Structure Event, if any. See *"Risk Factors—Risks Related to the Notes—Certain Collateral will not initially secure the Notes."*

The Collateral also secures (or will also secure) on a first-ranking basis the Revolving Credit Facility Agreement and certain hedging obligations (collectively, the "**Super Senior Obligations**") and may also secure certain future indebtedness. The Collateral has been (or will be) granted subject to the terms of the Intercreditor Agreement, certain agreed security principles and the terms of the security documents.

Under the terms of the Intercreditor Agreement, the holders of Notes will only receive proceeds from the enforcement of the Collateral after creditors under Super Senior Liabilities, the Security Agent, the Trustee, any receiver and certain other creditor representatives have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

The security interests in the Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "*Description of the Notes—Security*" and "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to the Notes*."

The security interests in the Collateral may be released under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*," and "*Description of the Notes—Security*."

Use of Proceeds

The proceeds from the Offering will be used, together with cash on hand, to fully repay amounts drawn under the Senior Secured Bridge Facility and to pay fees and expenses in connection with Offering.

Optional Redemption

The Issuer may redeem all or part of the Notes at any time on or after August 1, 2018 at the redemption prices as described under "*Description of the Notes—Optional Redemption.*"

At any time prior to August 1, 2018, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a "make-whole" premium, as described under "*Description of the Notes—Optional Redemption.*"

At any time prior to August 1, 2018, the Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Notes, using the net proceeds from certain equity offerings at a redemption price equal to 107.500% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that at least 60% of the aggregate principal amount of the Notes remains outstanding after the redemption.

Additional Amounts; Tax Redemption	Any payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or with respect to any Note Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if the Issuer, any Guarantor or the Paying Agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, the Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by each holder after such withholding is not less than the amount that would have been received in the absence of the withholding. If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Notes, and would require the Issuer or any Guarantor to pay additional amounts (as defined in "*Description of the Notes—Withholding Taxes*"), the Issuer may redeem the Notes, as applicable, in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.
Change of Control	Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101% of their principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase.
Certain Covenants	The Indenture, among other things, will restrict the ability of the Issuer and its Restricted Subsidiaries (as defined therein), to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of the Issuer's subsidiaries to pay dividends; • transfer or sell certain assets; • merge or consolidate with other entities; • enter into certain transactions with affiliates; and • impair the security interests created for the benefit of the holders of the Notes. Certain of the covenants will be suspended if the Notes obtain and maintain an investment-grade rating. Each of the covenants in the Indenture will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants.*"
Transfer Restrictions	The Notes and the Note Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Issuer has not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. The Notes are subject to restrictions on transferability and resale. See "*Transfer*

	Restrictions." We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
No Established Market for the Notes	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.
Listing	Application will be made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules thereof.
Governing Law	The Indenture, the Notes and the Note Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement and the Revolving Credit Facility Agreement are governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted, including German law and Luxembourg law.
Trustee and Security Agent	Citibank, N.A., London Branch.
Transfer Agent and Paying Agent	Citibank, N.A., London Branch.
Registrar	Citibank, N.A., London Branch.
Listing Agent	Banque Internationale à Luxembourg.

Risk Factors

Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section of this Offering Memorandum before making a decision whether to invest in the Notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables present the GFKL Group's summary financial information and should be read in conjunction with the Audited Consolidated Financial Statements, and the Unaudited Condensed Consolidated Interim Financial Statements, which are reproduced elsewhere in this Offering Memorandum and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y which issued an unqualified auditor's report thereon in each case. The Unaudited Condensed Consolidated Interim Financial Statements, which were prepared in accordance with IFRS on interim financial reporting, have not been audited. The information below is not necessarily indicative of the results of future operations.

*The Consolidated Financial Statements included in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement or other data included in such financial statements that may occur as a result of the purchase price allocation ("**PPA**") to be applied as a result of the Acquisition. The application of PPA adjustments could result in different carrying amounts for existing assets and liabilities and assets/liabilities we may add to our consolidated balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our consolidated financial statements could be materially different from the Consolidated Financial Statements included in this Offering Memorandum once the PPA adjustments have been made. The Issuer will account for the acquisition using the Acquisition method of accounting.*

The unaudited financial information for the twelve-month period ended March 31, 2015 included elsewhere in this Offering Memorandum is based on the Consolidated Financial Statements of GFKL Holdco and is calculated by taking the consolidated interim financial information for the three-month period ended March 31, 2015 derived from the Unaudited Condensed Consolidated Interim Financial Statements and its internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2014 derived from the 2014 Audited Consolidated Financial Statements and its internal accounting system and subtracting the consolidated interim financial information for the three-month period ended March 31, 2014 derived from the Unaudited Condensed Consolidated Interim Financial Statements and its internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

The financial information as of and for the year ended December 31, 2012, was adjusted in the 2013 Audited Consolidated Financial Statements due to the first-time application of IAS 19R (relating to the treatment of interest expense on pension obligations) and the retrospective presentation of discontinued operations in the income statement according to IFRS 5. See notes II.2, II.3, III.12 and IV.10 to the 2013 Audited Consolidated Financial Statements. Accordingly, the financial information presented in this Offering Memorandum as of and for the year ended December 31, 2012 was derived from the comparative financial information included in the 2013 Audited Consolidated Financial Statements.

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA and certain leverage and coverage ratios, among others. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The non-IFRS measures are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies and Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA may differ from "Consolidated EBITDA" contained in the section "Description of the Notes" of this Offering Memorandum and the Indenture. The calculations for the non-IFRS measures are based on various assumptions. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See "Presentation of Financial and Other Information."

The historical data below is not necessarily indicative of results of future operations and should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected Consolidated Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Unaudited Condensed Consolidated Interim Financial Statements, our Audited Consolidated Financial Statements and the notes thereto, which are included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement Information

	Financial Year			Three-Month Period ended March 31,		Twelve-Month Period ended March 31,
	2012	2013	2014	2014	2015	2015
	(in € million)					
				(unaudited)		(unaudited)
Revenue	157.0	190.4	243.8	55.5	62.6	250.9
Other operating income	9.0	11.1	16.1	1.2	1.9	16.7
Cost of purchased goods and services	—	—	0.8	0.0	0.3	1.0
Personnel expenses	43.4	44.0	45.2	11.1	11.7	45.8
Depreciation, amortization and impairment expense	4.0	3.9	6.3	0.9	1.0	6.4
Other operating expenses	125.3	134.6	163.8	34.5	39.7	168.9
Interest and similar income	0.9	2.6	0.5	0.2	0.3	0.6
Interest and similar expenses	14.7	14.8	16.0	3.7	2.2	14.5
Profit/loss from investments accounted for using the equity method	0.1	—	—	—	—	—
Earnings/(loss) before tax	**(20.4)**	**6.9**	**28.4**	**6.7**	**9.9**	**31.5**
Income taxes/(income)	0.4	(7.5)	11.0	2.3	3.4	12.1
Profit/(loss) from continuing operations	**(20.8)**	**14.4**	**17.4**	**4.5**	**6.5**	**19.4**
Profit/(loss) from discontinued operations	(3.2)	(12.2)	(2.3)	0.0	0.0	(2.2)
Consolidated profit/(loss) for the period	**(24.0)**	**2.3**	**15.1**	**4.4**	**6.5**	**17.1**
Profit attributable to non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
Loss attributable to non-controlling interests	0.0	0.0	—	0.0	0.1	0.1
Profit/(loss) attributable to equity holders of the parent	**(24.0)**	**2.3**	**15.1**	**4.4**	**6.6**	**17.2**

Summary Consolidated Balance Sheet

	Financial Year			As of March 31,
	2012	2013	2014	2015
			(in € million)	(unaudited)
Assets				
Non-current assets				
Property, plant and equipment	2.6	2.4	3.8	3.7
Intangible assets	19.1	16.2	19.3	19.1
Goodwill	35.6	23.5	21.6	21.6
Non-performing loans and receivables acquired for settlement[(1)]	70.9	59.7	59.5	63.3
Other financial assets	2.6	0.1	8.4	11.1
Deferred tax assets	0.5	—	—	—
Non-current assets	**131.3**	**101.8**	**112.5**	**118.8**
Current assets				
Inventories	—	—	0.0	0.0
Non-performing loans and receivables acquired for settlement[(1)]	45.9	41.0	43.4	39.7
Trade and other receivables	13.5	10.1	10.8	11.8
Income tax refund claims	1.4	4.6	4.4	4.5
Other financial assets	21.6	12.6	12.9	12.8
Cash and cash equivalents	38.2	58.2	35.7	45.5
Current assets	**120.5**	**126.6**	**107.2**	**114.3**
Assets classified as held for sale	—	11.4	—	—
Total assets	**251.8**	**239.8**	**219.7**	**233.0**
Equity and Liabilities				
Equity attributable to equity holders of the parent	(9.0)	(6.6)	7.0	13.6
Non-controlling interests	(0.1)	(0.1)	0.8	0.7
Total Equity	**(9.0)**	**(6.7)**	**7.8**	**14.3**
Non-current liabilities				
Liabilities to banks	108.3	100.0	71.9	76.6
Derivatives with negative fair values	2.8	1.6	1.3	1.1
Other financial liabilities	32.7	30.8	32.7	31.1
Provisions	2.5	1.0	0.6	0.6
Provisions for pensions	4.4	4.6	5.3	5.3
Deferred tax liabilities	4.8	5.1	10.7	12.6
Non-current liabilities	**155.4**	**143.1**	**122.5**	**127.3**
Current liabilities				
Liabilities to banks	14.0	10.0	7.5	7.5
Derivatives with negative fair values	1.2	0.4	0.6	0.6
Trade payables and other liabilities	12.8	8.5	9.5	9.3
Other financial liabilities	33.1	41.5	42.5	45.1
Income tax provisions	18.4	14.2	17.6	17.6
Provisions	25.8	24.1	11.7	11.3
Current liabilities	**105.4**	**98.8**	**89.4**	**91.4**
Liabilities classified as held for sale	0.0	4.7	—	—
Total Liabilities	**260.8**	**246.5**	**211.9**	**218.8**
Total equity and liabilities	**251.8**	**239.8**	**219.7**	**233.0**

(1) Sum of current and non-current non-performing loans and receivables required for settlement	**116.8**	**100.7**	**102.8**	**103.0**

Summary Cash Flow Statement Information

	Financial Year			Three-Month Period ended March 31,		Twelve-Month Period ended March 31,
	2012	2013	2014	2014	2015	2015
	(in € million)			(unaudited)		(unaudited)
Cash flow from operating activities	18.3	53.3	36.9	11.2	18.1	43.8
Cash flow from investing activities	(14.5)	(22.1)	(29.7)	(6.6)	(7.5)	(30.6)
Cash flow from financing activities	(24.2)	(9.3)	(31.6)	12.8	(0.7)	(45.1)
Change in cash and cash equivalents	(20.4)	21.9	(24.3)	17.4	9.8	(31.9)
Cash and cash equivalents at the end of the period	38.2	60.1	35.7	77.4	45.5	45.5
Thereof restricted cash[(1)]	20.3	19.8	24.4	22.6	31.7	31.7

(1) Restricted cash corresponds to payment transfer obligations that existed as of the respective balance sheet dates.

Other Financial and Operating Data

	Financial Year			As of and for Three-Month Period ended March 31,		As of and for the Twelve-Month Period ended March 31,
	2012	2013	2014	2014	2015	2015
	(in € million, unless otherwise indicated) (unaudited, unless otherwise indicated)			(unaudited)		(unaudited)
Gross Collections on purchased debt (including payment receipts from secured portfolios)[(1)]	82.2	88.8	91.7	23.3	23.7	92.0
Debt purchase revenue[(2)]	51.3	61.4	67.6	17.3	17.3	67.6
Third-party collection services revenue[(3)]	66.2	77.1	86.6	20.7	22.9	88.8
Revenue (audited)[(4)]	157.0	190.4	243.8	55.5	62.6	250.9
Adjusted EBITDA[(5)]	48.2	62.6	66.5	17.4	23.3	72.6
Acquisitions of non-performing loans and receivables acquired for settlement (audited)	31.6	26.1	27.8	6.8	11.1	32.1

(1) Gross Collections refers to payment receipts as shown in the notes to the Consolidated Financial Statements, excluding payment receipts from our discontinued Spanish operations and adding back put-backs and including payment receipts from secured portfolios.

	As of December 31,			As of March 31,	
	2012	2013	2014	2014	2015
	(in € million) (unaudited, unless otherwise indicated)				
Payment receipts	84.7	85.9	90.0	22.8	23.2
Thereof payment receipts by our Spanish Subsidiaries (included in continuing operations)	3.8	—	—	—	—
Payment receipts (excluding Spanish Subsidiaries)	80.9	85.9	90.0	22.8	23.2
Thereof payment receipts from secured portfolios	4.9	2.1	0.1	0.0	0.0
Thereof payment receipts from unsecured portfolios	76.0	83.8	89.9	22.8	23.2
Put-backs	1.3	2.9	1.7	0.5	0.4
Gross Collections (including payment receipts from secured portfolios)	82.2	88.8	91.7	23.3	23.7
Gross Collections	77.3	86.7	91.6	23.3	23.7

(2) Debt purchase revenue refers to revenue from acquired portfolios as shown in the notes to the Audited Consolidated Financial Statements.

(3) Third-party collection services revenue refers to fees from the collection process and cost refunds from the collection process as shown in the notes to the Consolidated Financial Statements (excluding any lawyer service revenue).

(4) After eliminations for inter-company sales.

(5) Reported EBITDA is calculated as consolidated profit/loss for the period before profit/loss from discontinued operations, income taxes, interest and similar expenses, interest and similar income and depreciation, amortization and impairment expense. Normalized EBITDA is defined as Reported EBITDA excluding non-recurring or extraordinary items. Non-recurring or extraordinary items include a number of one-off, exceptional items that have been excluded from Normalized EBITDA. These one-off, exceptional items include costs incurred in connection with restructurings and relocations, certain projects, data analytics, provisions for contingent losses related to PCS, acquisition related corrections, VAT risks, revaluation effects related to PPS, the buyback of an issued promissory note, certain refinancing expenses, the sale of certain of our subsidiaries, SIR's settlement with a former debt servicer, the release of certain provisions, the disposal and related litigation of our former subsidiary Domusvenda Holding SGPS S.A. and certain other adjustments. Pro Forma Normalized EBITDA is defined as Normalized EBITDA plus pro forma adjustments to account for certain projected rental savings. Adjusted EBITDA is calculated as Pro Forma Normalized EBITDA plus purchased debt portfolio amortizations, changes in fair value of our purchased debt portfolios and direct write-offs related to our product PayProtect. We use Adjusted EBITDA as a measure of our operating cash flow generation and the liquidity of our business. None of Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA nor Adjusted EBITDA is a measure of financial performance calculated in accordance with IFRS and should each be viewed as a supplement to, not a substitute for, our results of operations presented in accordance with IFRS. See "*Presentation of Financial and Other Information*." The reconciliation of consolidated profit/(loss) for the period to Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA is as follows:

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31,
	2012	2013	2014	2014	2015	2015
	(in € million) (unaudited, unless otherwise indicated)			(unaudited)		(unaudited)
Consolidated profit/(loss) for the period	**(24.0)[a]**	**2.3[a]**	**15.1 [a]**	**4.4**	**6.5**	**17.1**
Profit/loss from discontinued operations	3.2[a]	12.2[a]	2.3[a]	0.0	0.0	2.2
Income taxes	0.4[a]	(7.5)[a]	11.0[a]	2.3	3.4	12.1
Financial result[b]	13.7	12.2	15.5	3.5	1.9	13.9
Depreciation, amortization and impairment expenses	4.0[a]	3.9[a]	6.3[a]	0.9	1.0	6.4
Reported EBITDA	**(2.7)**	**22.9**	**50.2**	**11.1**	**12.8**	**51.8**
Restructuring / relocation[c]	5.2	1.7	1.7	0.3	0.1	1.5
Projects[d]	1.0	2.3	0.9	0.0	0.1	1.0
Data analytics[e]	—	0.5	0.9	0.0	0.3	1.1
Provision for contingent losses[f]	1.4	(0.7)	(0.6)	—	(0.4)	(1.0)
Acquisition-related corrections[g]	0.7	—	—	—	—	—
Provision for VAT risks[h]	4.1	—	(11.2)	—	—	(11.2)
Revaluation effects[i]	2.6	(0.1)	0.0	0.0	(0.0)	(0.0)
Buyback of issued promissory note[j]	(4.5)	—	—	—	—	—
Refinancing[k]	2.0	0.1	0.3	0.1	0.0	0.2
Sale of subsidiaries / affiliates[l]	1.5	(2.6)	0.5	—	0.1	0.5
Settlement with debt servicer[m]	3.0	7.6	—	—	—	—
Miscellaneous provisions[n]	0.8	(1.6)	—	—	(0.2)	(0.2)
Domusvenda[o]	0.2	0.3	(0.3)	(0.1)	(0.0)	(0.3)
Other[p]	2.7	(0.7)	(0.1)	0.0	0.2	0.0
Normalized EBITDA	**18.0**	**29.6**	**42.1**	**11.4**	**12.8**	**43.6**
Rental savings (net)[q]	0.7	0.8	0.5	0.3	—	0.3
Pro Forma Normalized EBITDA	**18.7**	**30.4**	**42.6**	**11.6**	**12.8**	**43.8**
Amortization of purchased debt[r]	35.9	39.5	43.1	10.9	11.4	43.6
Proceeds from the sale of a secured portfolio[s]	—	—	—	—	3.9	3.9
Direct write-downs[t]	—	—	0.6	0.0	0.4	1.1
Revaluation of purchased debt excluding direct write-downs[u]	(3.8)	(7.4)	(19.8)	(5.2)	(5.2)	(19.8)
Revaluation effects[v]	(2.6)	0.1	(0.0)	(0.0)	0.0	0.0
Adjusted EBITDA	**48.2**	**62.6**	**66.5**	**17.4**	**23.3**	**72.6**

(a) Audited.

(b) Represents the sum of interest and similar income and interest and similar expenses, net.

(c) Represents the focused program of organizational and legal restructuring measures we undertook which had negative financial one-off effects on our income statement. In the financial year ended December 31, 2012, management decided to centralize the formerly geographically spread archives of the entities in Gelsenkirchen and to introduce a shared service center. The centralization started in the financial year 2013 and the archive was fully operational from January 2014 onwards. €2.3 million was provided for in the financial year 2012 to cover the relocation. The implementation of the service center incurred further one-off costs in the financial year 2014 (€0.3 million). In addition, management decided to relocate the

headquarters and the activities of several operating entities to a central location in Essen which was completed in June 2014. Expenses related to this relocation were one-time removal costs of €0.5 million in the financial year 2014, with €0.2 million recognized in the three months ended March 31, 2014. Furthermore, severance payments have been made in relation to a cost savings program which has run under the project umbrella name of "GFKL 2.0" mainly related to personnel cost savings, which had impacts of €0.2 million, €0.3 million, €0.4 million and €0.1 million in the years ended December 31, 2012, 2013, 2014 and in the three months ended March 31, 2015, respectively. In connection with the aforementioned restructuring, we also incurred one-time strategy consultancy and other advisory fees of €1.5 million in the financial year 2012, €1.4 million in the financial year 2013 and €0.5 million in the financial year 2014. The layoff of two Executive Board members led to additional severance payments of €1.6 million in the financial year 2012.

(d) Represents the costs from several improvements and corporate development projects, including the alignment of the payment processing systems to the new SEPA requirements (financial year 2013: €0.8 million). In the year ended December 31, 2014, we also incurred costs in connection with the SAP implementation at our subsidiary ZYK (€0.3 million), the further integration of sub-ledger systems (€0.1 million, with €0.0 million recognized in the three months ended March 31, 2015), as well as further one-time projects (€0.5 million), including the development and implementation of an office design project prior to our relocation in 2014. We also recognized €0.1 million in costs incurred in connection with the corporate integration costs at ITT and DMA in the three months ended March 31, 2015.

(e) Represents the expenses from a data analytics project that we initiated to improve cash collection effectiveness, enhance process efficiency and increase precision in pricing. The normalization related to external consultancy costs to design and oversee the implementation of this project.

(f) Represents adjustments relating to a provision for an onerous contract. PCS agreed to a three-year contract for the revolving purchases of debt portfolios which proved to be onerous after the agreement was entered into. The estimated aggregate loss until the end of the contractual term in March 2015 of €3.2 million was recorded in 2012. In the years 2013 and 2014 the actual losses resulting from the contract proved to be smaller than expected and recorded in 2012 leading to partial releases of the onerous contract provision in the financial years 2013 and 2014 summing up to €1.4 million (€0.7 million in 2013 and €0.6 million in 2014). The above-mentioned amounts were adjusted in 2012 and then in 2013 and 2014, respectively.

(g) Following the acquisition of GCG in 2012, we identified a difference between the general accounting ledger and the portfolio sub-ledger relating to the years prior to the acquisition and were required to expense €0.7 million for the difference in the financial year 2012 Group accounts, which also reflects the total adjustments made for the GCG acquisition.

(h) Represents the release of certain VAT provisions. On October 27, 2011, the European Court of Justice ("**ECJ**") decided that acquisitions of NPL are not subject to VAT. This court decision was adopted by the German Federal Tax Court ("**BFH**") in a decision dated January 26, 2012. The BFH decision also said that no input VAT could be claimed on costs incurred in connection with NPL acquisitions as well as on costs incurred in connection with the collection of the receivables. These court cases as well as another comparable case have not been adopted by the German tax authorities yet. In the period from the year ended December 31, 2004 to the year ended December 31, 2011, GFKL Group did not entirely treat the purchases of NPL as subject to VAT, *i.e.*, in some cases no VAT was collected and paid to the tax authorities. During that period, GFKL Group claimed full input VAT incurred from costs in the context of the acquisition and the collection of the NPLs. Due to the new case law an accrual for non-claimable input VAT for the year ended December 31, 2004 to the year ended December 31, 2011 (including interest) was set up per the year ended December 31, 2011 amounting to €15.3 million. GFKL Group applied a lump-sum rate of 30% on the total input VAT amounts as being non-deductible for the period February 2012 through December 2012. Following a written statement (dated October 22, 2012) of the German Federal Ministry for Finance towards the Federal association of credits and servicing ("*Bundesvereinigung Kreditankauf und Service e.V.*" ("**BKS**")) stating that the tax authorities are going to apply the existing guidelines, the 30% lump sum approach was used in December 2012 the last time. We consequently provided for an estimated VAT risk of €0.4 million in 2012 on top of expensing input VAT of €3.7 million during that same year. Following the statement towards BKS, we have decided to claim the omitted 2012 pre-tax VAT and have reduced our provision for NPL VAT with corresponding income shown on our 2014 income statement of €4.1 million. Based on the interim results of an ongoing tax audit, we also released further amounts from this provision relating to periods prior to 2012 in the amount of €7.1 million. See also "*Risk Factors—The VAT treatment of the purchase of non-performing loans performed by us may be challenged or changed resulting in additional cash out for VAT*."

(i) Represents adjustments for the PPS purchased debt portfolios. Until 2012, our subsidiary PPS owned four real estate secured loans as part of its debt purchase portfolio. The fair value of these loans fluctuated depending on the status of the discussions with potential buyers of the properties. The impact at EBIT level of the fair value changes was normalized as large collateralized loans are not part of the Group's normal operations anymore.

(j) In 2012, we redeemed a promissory note below par value realizing a one-time profit of €4.5 million from this transaction.

(k) Represents refinancing-related costs, which have been normalized based on their non-operating nature. In 2012, these refinancing costs included a waiver fee (€0.7 million) and refinancing-related tax advisory fees (€0.5 million).

(l) Represents adjustments for the sales of certain entities. In 2012, we adjusted the carrying amount of our investment in our at-equity consolidated entities HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH and DHMF-Deutsche Handwerks und Mittelstands Finanz GmbH in connection with their disposal. In 2013, we realized a gain from a retrospective selling price adjustment relating to the previously disposed subsidiary Universal Leasing GmbH. In 2014, a loss was recorded from the disposal of Multigestión Group and the inactive German entity SBL Mobilien GmbH. In the three months ended March 31, 2015, we incurred an additional €0.1 million in related consulting costs in connection with the sales. The income statement impacts of these transactions have been normalized.

(m) Represents the adjustment for the one-off cost related to SIR's settlement with a former debt servicer. In 2012, SIR incurred one-time costs (bad debt allowances and consultancy fees) and provided for estimated costs related to a claim tendered by a former debt service partner. An agreement to settle the claim was reached in 2013 in which we agreed to settle payments to this previous partner in the period from 2013 to 2017 totaling to €8.0 million with a carrying amount of €7.6 million.

(n) In 2012, the adjustment represents the part of the provision recorded in 2012, which was released in 2013. In 2013, the income from the release of provisions related to litigation provisions of €0.6 million, a contractual tax warranty of €0.5 million, a rent reduction of €0.3 million and archiving costs of €0.1 million (related to setting up a centralized archive). In the three months ended March 31, 2015, the normalization represents the release of a provision related to a contribution to Industrie und Handelskammer.

(o) Represents disposal and related litigation of our former joint venture Domusvenda Holding SGPS S.A. We previously owned 50% of the shares in a joint venture in Portugal (Domusvenda Holding SGPS S.A.). Following disputes between the joint

venture partners and the directors of Domusvenda Holding SGPS S.A. and subsequent lawsuits in 2011, we filed an application to open insolvency proceedings for Domusvenda Holding SGPS S.A. in 2012. During 2013, we sold the shares in Domusvenda Holding SGPS S.A. for €1. As part of the settlement with our joint venture partner we received monthly payments of €30,000 starting from April 2013 to be paid over a 60-month period. The release of a previously recorded bad debt provision due to receipt of the above-mentioned monthly payments in 2013 and 2014 as well as legal and consulting fees in connection with the aforementioned litigation and the disposal of shares have all been normalized.

(p) In 2012, certain other normalization adjustments mainly related to the write-off of other receivables of ZYK (€0.6 million), non-income tax related tax audit findings (€0.3 million), rebranding costs (€0.5 million) and bad debt allowances for capitalized cash advances and court fees (€0.2 million). The amount in 2013 of €0.7 million related to a gain of this amount from the termination of a third party service contract by the client. As part of the termination arrangement it was agreed that net collections received were to remain with us as opposed to being transferred to the client. The amount of €0.2 million recognized in the three months ended March 31, 2015 related to certain legal consultancy and tax related expenses.

(q) Rental savings (net) includes the annual savings that resulted in connection with the relocation of our headquarters to a new location in the city of Essen, Germany in July 2014 which was partially offset by increased rent expenses incurred in connection with the establishment of our shared service center in Gelsenkirchen, Germany that increased rental expenses by €0.3 million per annum. To the extent not already reflected in the actual figures, these two effects have been retroactively applied to the historical periods.

(r) Amortization of purchased debt is the difference between collections and revenue recognized in the consolidated income statement as income from acquired portfolios, which includes service cost revenue and investment income. While the amortization of purchased debt portfolios is recognized on our consolidated balance sheet, it is also cash effective. Amortization of purchased debt does not include any amortizations reflected in the depreciation, amortization and impairment expense line-item in our consolidated income statement. It is shown in the notes to our Consolidated Financial Statements as repayment of non-performing loans and receivables acquired for settlement. See "*Management's Discussion and Analysis of Financial Condition and Result of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection forecast and Revaluation of Purchased Debt Portfolios—Recognition of Revenue from Purchased Debt*." The amortization shown above for the year ended December 31, 2012, which was €35.9 million, was comprised of €38.2 million of amortized purchased debt as reflected in the notes to the 2013 Audited Consolidated Financial Statements, less the amortization of the purchased debt portfolios of our collection business in Spain.

(s) Following our strategic repositioning of PPS and our decision to discontinue its debt purchase business with large property-secured NPL portfolios, we disposed of one of the remaining assets out of this property-secured NPL portfolio in February 2015 and have realized proceeds (including the extinguishment of existing liabilities) of €4.6 million upon this disposal. A provision of €0.6 million has been recorded to cover contingencies from this disposal. A significant part of the proceeds equivalent to the NPL carrying amount (€3.9 million) has been part of the cash flow from investing activities in our Unaudited Condensed Consolidated Interim Financial Statements and we have added this amount to the amortization of acquired debt portfolios, which is where it would have been recognized had the assets remained in our portfolio and had we received the expected collections thereon, to reflect the entire effect from this transaction in Adjusted EBITDA.

(t) Represents the direct write-downs in connection with PayProtect for the year ended December 31, 2014 and is shown in the notes to our Consolidated Financial Statements as direct write-downs of non-performing loans and receivables acquired for settlement.

(u) Revaluation of purchased debt is shown in the notes to our Consolidated Financial Statements as changes of non-performing loans and receivables acquired for settlement from measurement at fair value. Following the initial recognition of a purchased debt portfolio at its purchase price, the carrying amount of a purchased debt portfolio is rolled forward each month and decreased by the calculated portfolio amortization. As the purchased debt portfolios are recognized at fair value, their value can be revalued, either positively or negatively. The determination of whether a purchased debt portfolio's carrying amount should be revalued to reflect its current fair value is typically made at the end of each fiscal year. However, an intra-year revaluation may be triggered when current collections over the most recent three months deviate from forecast collections by more than 15%. Changes in the fair value of a debt portfolio are recorded in the consolidated income statement. These changes are not cash effective. See "*Management's Discussion and Analysis of Financial Condition and Result of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection forecast and Revaluation of Purchased Debt Portfolios—Revaluation of Purchased Debt Portfolios*."

(v) Revaluation of purchased debt excluding direct write-downs includes also impairments of real estate secured loans of €2.6 million in 2012 and a write-up of real estate secured loans of €0.1 million in 2012, each as already adjusted in this table in the line "Revaluation effects," see also note (h). In order to avoid eliminating these effects twice they are added back again once.

Pro Forma and Other Information

	Twelve-month period ended March 31, 2015
	(unaudited) (in € million unless otherwise indicated)
Adjusted EBITDA	72.6
Adjusted cash and cash equivalents[(1)]	28.8
As adjusted total debt[(2)]	372.8
Pro forma total net debt[(3)]	344.0
Ratio of *Pro forma* total net debt to Adjusted EBITDA	4.7x

	Twelve-month period ended March 31, 2015
	(unaudited) (in € million unless otherwise indicated)
Pro forma cash interest expense[4]	28.6
Adjusted EBITDA to *Pro forma* cash interest expense	2.5x

(1) Adjusted cash and cash equivalents represents cash and cash equivalents (excluding restricted cash of€31.7 million) as adjusted to give effect to the Transactions as if the Transactions had occurred on March 31, 2015. See "*Use of Proceeds*" and "*Capitalization*." As of June 30, 2015, our adjusted cash and cash equivalents (excluding restricted cash of €21.1 million) was €33.6 million; this figure is based on a liquidity report prepared by management and has not been audited or verified by our statutory auditors.

(2) As adjusted total debt represents our total outstanding third-party indebtedness, as adjusted to give effect to the Transactions as if the Transactions had occurred on March 31, 2015. Excludes restricted cash. See "*Use of Proceeds*" and "*Capitalization*."

(3) *Pro forma* total net debt represents as adjusted total debt less as adjusted cash and cash equivalents (excluding restricted cash of €31.7 million).

(4) *Pro forma* cash interest expense represents the interest expense in respect of the Notes, any commitment fees payable under our undrawn Revolving Credit Facility (we may draw on our Revolving Credit Facility to pay interest on the Notes if the German Company Conversion has not occurred on the first interest payment date of the Notes) and any interest under the Milla Securitization for the twelve-month period ended March 31, 2015 as if the Transactions had occurred on April 1, 2014, based on the coupon of the Notes. *Pro forma* cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. *Pro forma* 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 Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

RISK FACTORS

An investment in the Notes involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, the trading prices of the Notes could decline, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment. The order in which these risks are presented is not intended to provide an indication of the likelihood of their occurrence or their severity or significance.

This Offering Memorandum also contains "forward-looking" statements that may be based on assumptions and estimates that are subject to further risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the risks described below and elsewhere in this Offering Memorandum. Please see "Forward-Looking Statements."

Risks Related to Our Business and Industry

Changes in the economic environment, in particular in Germany, may have a material adverse effect on our financial condition, financial returns and results of operations.

We operate exclusively in Germany and, therefore, our business is exposed to any upturns and downturns in German economic, market or fiscal conditions. If the German or global economy suffers a prolonged, material downturn that increases the unemployment rate, causes inflation and/or impacts interest rates and the availability of credit, debtors may be unable to continue repaying debt and we may not be able to perform debt collection in a manner consistent with our past practice. Additionally, adverse economic conditions could lead to a reduction in the propensity of financial institutions or other credit institutions to lend to corporate and individual debtors, as was the case during the global financial crisis of 2008-2009. This, in turn, would lead to a reduced supply of debt available for collection or fewer opportunities for us to enter into forward flow agreements in our debt purchase business. Reduced lending by financial or other credit institutions may also negatively affect debtors by reducing disposable income levels or otherwise impairing their ability to fulfill their payment obligations.

An improvement in the economic conditions in Germany could have both positive and negative impacts on our business. Although improved economic conditions may lead to higher debt repayment due to the improved financial position of the debtors and because of improved payment prospects, we may experience more competitive pricing for the debt portfolios that we purchase or for the debt collection services that we offer. In addition, rising interest rates due to a change in the economic environment or other factors beyond our control may increase our financing costs, which may result in our inability to finance debt portfolio purchases at profitable levels or at all. Such outcomes may have a material adverse effect on our business, results of operations or financial condition.

While Germany's economy, as evidenced by its GDP, has experienced slow but steady growth since 2010, there can be no assurances that this will continue or that the net effect of any change in economic conditions will be positive for our business. Notably, as of December 31, 2014, the Federal Association of German Debt Collection Companies (*Bundesverband Deutscher Inkasso-Unternehmen e.V.* (*BDIU*)) expected the general consumer payment behavior to deteriorate in 2015, with the payment behavior of consumers considered far worse than that of commercial debtors. In addition, certain industry sectors in which our clients originate debt are expected to deteriorate in 2015. Accordingly, any of these developments could have a material adverse effect on our business, results of operations or financial condition.

A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business.

For the twelve months ended March 31, 2015, we derived 43% of our revenue excluding lawyer service revenue and other revenue (other revenue is shown as "other" in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the 2014 Audited Consolidated Financial Statements) from our debt purchase business. The availability of debt portfolios at profit-generating prices depends on a number of factors, some of which are outside of our control, including: the level of consumer spending; the availability of credit to consumers, which may be driven by a number of factors, including heightened regulation of the credit card and consumer lending industry, changing credit origination strategies, tighter lending criteria introduced by consumer credit providers and general economic conditions; the level of non-performance on consumer

debt portfolios and the proportion of such portfolios that are written off by debt originators, which also in turn may affect the availability of credit to consumers identified above; sales of debt portfolios by debt originators, which could be jeopardized by a change in accounting policies or practices, the consolidation of creditors or increased sophistication in internal collection efforts; potential concerns that the small value received for defaulted debt portfolios as a percentage of their face value may not outweigh the potential reputational risks or required management attention associated with selling defaulted debt portfolios; negative publicity or a loss of trust in the CMS industry, whether due to our failure or that of one or more of our competitors to meet applicable legal or regulatory obligations or otherwise; increased government regulation of the circumstances in which debt originators have a right to collect on debt; and the macroeconomic environment in Germany, or to the extent that it may impact German consumers or the German economy, macroeconomic conditions and other relevant global or European developments. Additionally, an increase in demand for debt portfolios among competitors could result in our not being chosen to purchase a debt portfolio due to more attractive offers from competitors.

There can be no assurances that we will continuously be able to identify a sufficient volume of portfolios at appropriate prices. Generally, prices vary significantly between industries. If we are unable to identify portfolios at appropriate prices or that are of sufficient quality, we may have to purchase portfolios at higher prices, reducing our level of profit, or portfolios of asset types or in industries in which we have little or no experience, or where it is more difficult to collect on overdue receivables. Purchases in these asset types or industries may impair our ability to collect on these claims and may cause us to pay too much for these claims and consequently we may not be able to generate a profit from these debt purchases. A potential inconsistency in the availability of portfolios for purchase may mean that during certain financial reporting periods we may make few or no debt purchases.

If we are unable to identify sufficient levels of attractive portfolios and generate an appropriate return on purchased debt, we may experience difficulties covering such expenses and may, as a consequence, have to reduce the number of our collection personnel or take other measures to reduce costs. These developments could lead to disruptions in our operations, loss of efficiency, decreased employee morale, fewer experienced employees and excess costs associated with unused space in our facilities and, as a result, a further loss of clients. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We are dependent on clients in a variety of industries and failure to maintain relationships with these clients could have a material adverse effect on our business, prospects, financial condition and results of operations.

A significant portion of our revenue is generated from a limited number of industries. For the twelve months ended March 31, 2015, 53% of our revenue from third-party collection services, excluding lawyer service revenue and other services revenue, came from the insurance industry, while more than half of our debt portfolios were purchased from retail or banking clients with retail and banking clients accounting for 31% and 25% of our debt purchases, respectively (other services revenue is shown as “other” in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of “service and programming revenue,” “maintenance revenue and royalties” and “other” in the notes to the 2014 Audited Consolidated Financial Statements). A significant decrease in the amount of debt collection outsourced or the volume of debt available for purchase from any of our principal clients in these sectors on acceptable terms would force us to seek alternative sources of revenue. Clients may elect to change receivables management providers if the providers’ reputation is harmed by external factors. In addition, our clients may change receivables management providers based on a change of control. See “*—Limitations imposed on us by debt originators of debt portfolios may adversely impact our operational flexibility*.” We may be unable to find alternative sources of revenue and, even if replacement clients could be found, the search could take time or the debt could be of lower quality and/or higher cost. Any material failure in the insurance, retail or banking sectors or any significant change in the willingness or ability of debt originators in these sectors to outsource or sell their debt to debt collection agencies, such as changes in applicable law or regulations relating to these industries which restrict or prohibit such actions, could materially and adversely affect our business, financial condition and results of operations.

We depend on the continued willingness and ability of our clients to outsource their debt collection and offer their portfolios for sale.

We depend on the willingness and ability of our clients to continually engage us to provide CMS. Some factors that may influence our clients’ willingness and ability to engage us to provide CMS include, but are not limited to, the strength of our reputation, regulatory pressures our clients face and the value proposition that we offer. Debt originators may develop technological tools similar to ours, such as sophisticated data analytics and customer profile development that could increase their competitive advantages. If debt originators choose to perform more of their debt collections internally as a result of these data quality improvements, the volume of

debt portfolios available for purchase could decrease and the quality of debt portfolios that are sold could suffer. Consequently, we may not be able to buy the type and quantity of receivables that we have historically bought at prices consistent with our historical return targets. In addition, there could be a reduction in the availability of debt portfolios sold early in the debt collection process. This "fresh" debt typically has higher collection expectations, because less work has been applied to the assets to obtain customer payments.

While levels of debt collection outsourcing and levels of portfolio sales have been trending higher in recent years, our business would be adversely affected if our clients decided to reduce or discontinue the outsourcing of their debt collection or portfolio sales or if the actual growth of levels of outsourcing and sales is lower than expected. In addition, our future revenue growth may be limited if companies that do not currently outsource their debt collection or sell portfolios continue to manage their portfolios in-house. There can be no assurances that the demand for our services will increase or remain the same, and a decrease or stagnation in demand for our services, or if one or more material debt originators stop or decrease their portfolio sales due to one of the factors listed above or any other factors, could have a material adverse effect on our business, results of operations or financial condition.

We generate a significant amount of our revenue from a small number of large creditors and we are dependent on a small number of key suppliers.

We rely on key relationships with debt originators to conduct our business. A significant portion of our revenue is generated by contracts with a limited number of creditors. For the year ended December 31, 2014, our top five third-party collections clients generated 44% of our revenue and 65% of our third-party collection services revenue. For the year ended December 31, 2014, our largest third-party collection services client represented 19% of our revenue and 27% of our third-party collection services revenue. Additionally, a significant percentage of our debt portfolio purchases is concentrated with a few large clients while a limited number of portfolio purchases represented a relatively large portion of our portfolios recognized on our balance sheet as of March 31, 2015. A significant decrease in the volume of debt portfolio purchases available from any of the debt originators which we are currently working with, on terms acceptable to us, would make it necessary to further enlarge our network of sellers or the sources of debt to purchase. Our current and/or future debt originator clients may cease to continue to sell debt to us on desirable terms or in acceptable quantities, or may become insolvent or cease to exist. We lost one of our top 10 clients in our third-party collection services business during the financial year 2014, mainly due to the client's shift towards another collection model, and we may lose more clients in the future. Furthermore, many of our contracts with our clients do not have a fixed term or renew automatically on an annual basis and, therefore, may be terminated on relatively short notice in certain circumstances. In addition, we might not be able to make similar debt purchases from other sellers. A debt originator's decision to sell debt to us is based on various factors, including the price and terms offered, our reputation and our compliance history. Any changes to the key relationships that we rely on could have a material adverse effect on our business, results of operations or financial condition.

In addition, we face certain single source supply risks, in particular with respect to software solutions from ABIT and mail handling by Deutsche Post on which we rely heavily in our operations. If either of these suppliers were to significantly limit access to their services, significantly raise their prices, experience labor disputes and work stoppages, become insolvent or cease to exist, this could impede our ability to collect on claims or increase our collections costs and therefore have a material adverse effect on our business, results of operations or financial condition.

We are active in a competitive market and may be unable to continue to successfully compete with businesses that may offer more attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have.

The German debt collection market is highly fragmented and consists of numerous companies with varying profiles. We face competition from new and existing debt collection providers and other purchasers of debt portfolios. This competition includes, but is not limited to, competition on the basis of price. New market entrants and existing competitors may offer more attractive pricing levels, both for debt collection contracts and for debt portfolio purchases, and accept lower returns in order to gain or increase market share. There can be no assurances that this price competition will not result in us paying higher prices for portfolios that we purchase or charging less for our debt collection services, both of which could decrease our margins and have a material adverse effect on our business, results of operations or financial condition.

We face bidding competition in our acquisition of debt portfolios. We believe that successful bids are awarded based on price and a range of other factors, including service, compliance, reputation and relationships with the sellers of debt portfolios. Some of our current competitors, and potential new competitors, may have more effective pricing and collection models, greater adaptability to changing market needs and more established relationships in our industry or the business sectors in which we operate. Moreover, our competitors may elect to pay prices for debt portfolios that we determine are not economically sustainable and, in that event, our

volume of debt portfolio purchases may be diminished. There can be no assurance either that our existing or potential debt portfolio sources will continue to sell their portfolios at recent levels or at all, or that we will continue to make competitive bids for debt portfolios.

Some of our current competitors, and potential new competitors, may have substantially greater financial resources, less expensive funding or lower return requirements than we currently have. The receivables management industry might further consolidate and our competitors might merge, creating size and scale benefits which we might not be able to match. Our competitors might also engage in securitization programs that might free up more funding sources for debt portfolio purchases. In addition, in the future we may not have the financial resources to make competitive bids for portfolio purchases and debt collection contracts, especially when competing with competitors who have greater financial resources than we have. Competition is not limited to the bidding process, as some of our clients will simultaneously retain multiple receivables management companies to perform collections on their behalf, thereby intensifying the competition for ongoing and new business. There can be no assurances that we will be able to develop and expand our business or adapt to changing market needs as well as our current or future competitors. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Errors in our collection process or other operational matters could have a negative effect on our business and reputation.

Our ability to collect debt according to the correct contractual terms and to treat debtors fairly is critical to our business and our reputation. Our reputation is fundamental to maintaining our relationships with current and potential clients and regulators. The following events, among others, may have a negative effect on our reputation and/or our financial results: negative media publicity relating either to us or the wider CMS industry, allegations of unethical or improper behavior by us or third parties we use in the collection process, our inability to collect debt on an accurate and timely basis, our failure to respect and treat the debtors fairly, failures in our collection and data protection processes, the actions of third parties engaged by us in the debt collection process, IT platform failure or other operational issues, litigation, regulatory restrictions, investigations, fines or enforcement actions and matters affecting our financial reporting.

The collection of debt involves complex interpretations and calculations of contractual terms that may vary by client, which may impact the calculation of debtors' resulting payment obligations and the collection strategies we employ. The inherent complexity of debt calculation and historical inaccuracies may result in our failure to choose the correct collection strategies and could lead to incorrect payment calculations in the future. If we agree on a payment plan with a debtor based on an incorrect calculation of the debt, such payment plan will become binding and may not be re-negotiated under German law. Therefore, processing errors may have an adverse effect on our business, results of operations or financial condition. Such processing or other operational errors could lead to an increase in new debtor complaints, which could harm our reputation. Any of the aforementioned events could result in financial liability for us and could jeopardize our relationships with our clients or our ability to establish new client relationships, have a negative impact on a debtor's willingness to pay a debt owed to us or to our clients, diminish our attractiveness as a counterparty or lead to increased regulation of the receivables management industry, each of which could have a material adverse effect on our business, results of operations or financial condition.

Negative attention and news regarding the debt purchase and collection industry and individual debt purchasers and collectors, including us, may have a negative impact on a customer's willingness to pay a debt owed to us and may diminish our attractiveness as a counterparty for debt originators and other third parties.

There are various factors that may cause consumers to be more reluctant to pay their debt in full or at all, or more willing to pursue legal actions against us (including through consumer protection associations (*Verbraucherschutzvereine*) or other similar third party agencies), even if such actions are not warranted. These factors include, *inter alia*: (i) publications in online, print and broadcast media, from time to time, of stories about the debt collection or debt purchase industry that may cite specific examples of real or perceived abusive collection practices as well as regulatory investigations and enforcement actions; (ii) online articles, blogs and tweets that may lead to the rapid dissemination of a story and increase exposure to negative publicity surrounding the debt purchase and receivables management industry in general or in relation to us or any of our clients in particular; and (iii) websites where consumers list their concerns about the activities of debt collectors and seek online guidance from others on how to react to collection efforts. These websites are increasingly providing consumers with legal forms and other strategies to protest collection efforts and to try to avoid their obligations. To the extent that these forms and strategies are based upon erroneous legal information, the cost of collections may increase. Finally, consumer blogs and consumer protection associations (*Verbraucherschutzvereine*) are becoming more common and add to the negative attention surrounding the receivables management industry.

Negative publicity could also result from us being named in published industry complaint data sites, receiving negative attention due to internal disputes, failing to prevent potential unlawful behavior of our employees and engaging in disputes with former employees or being subject to negative publicity relating to any of our clients or any former employers of our key executives. Negative publicity relating to any of the third parties we engage violating legal or other regulatory requirements could also result in negative publicity or reputational damage to us. As consumer awareness increases, there may be an increase in the level of complaints.

Any such negative publicity could jeopardize our existing relationships with debt originators or our ability to establish new relationships with other debt originators, diminish our attractiveness as counterparties generally or lead to requests by the debt originator to reassign debt portfolios. Any of the foregoing could impact our ability to purchase debt portfolios or our ability to collect debt owed to us or to our clients, and may materially and adversely affect our business and results of operations.

We are subject to German and EU regulations and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business.

We are subject to German and EU regulations, including laws and regulations regarding anti-money laundering and terrorist financing, debt collection, debt purchase, data protection, unfair competition, and price fixing, at the national and European levels. See "*Regulation*." For example, we must generally comply with requirements under the German Anti-Money-Laundering Act (*Geldwäschegesetz*). In case of non-compliance, the relevant authorities may, *inter alia*, impose a fine. Furthermore, adverse regulatory developments under the laws and regulations to which we are subject could expose us to a number of risks. Individual employees may act against our instructions and either inadvertently or deliberately violate applicable laws, including competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients. Such actions may harm our reputation and, if we are held responsible, the resulting fines and other sanctions could be substantial. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

The receivables management industry could be subject to increased scrutiny due to political factors, which could lead to changes in laws and regulations. Changes in these laws and regulations, or changes to their interpretation by supervisory authorities and courts, may reduce our operational flexibility and limit our ability to use our debtor data to price portfolios and create efficient debt collection strategies and regulate the fees, or potential set-offs of fees, charged to the debtor as part of a creditor's default damage (*Verzugsschaden*). In Germany, the regulatory framework for debt collection has been tightened by the Act Against Dubious Business Practices (*Gesetz gegen unseriöse Geschäftspraktiken*) which came into force in October 2013. Under this regulation, *inter alia*, the reimbursement of costs for debt collection is limited, and the costs may not exceed the amount a lawyer would be entitled to claim as compensation for a corresponding activity. The German Ministry of Justice (*Bundesministerium der Justiz*) is, subject to the German parliament's consent, authorized to implement a cap on fees recoverable by debt collection companies that can be passed on to consumers. As of the date hereof, the German parliament has not utilized such authorization, but may do so in the future. In our current business model, we generally attempt, in line with best practices in our industry, to achieve recovery of the full amount under the German statutory regime and applicable civil law. Depending on a variety of factors, including legal developments or reputational risks, we may alter our fee policies, which may impact the amount of fees that we can charge to our and our clients' debtors. Such alterations may limit our Gross Collections and available cash and may have an adverse effect on our business. Changes in laws and regulations, or further developments in or changes to their interpretation by supervisory authorities and courts, including limits on the types and amounts of fees we can pass on to debtors (or a prohibition of such fees) and restrictions on our own ability to perform services for external lawyers could also affect the permissibility of our business model. In particular, several of the regulations to which we are subject and our interpretations thereof are based on a limited number of court decisions that are not all reconcilable. If court decisions in the future hold more consistently against our positions, our business model could be adversely affected. Any change in these regulations, court decisions, or our interpretations thereof, and any other factors mentioned above may have a material adverse effect on our operations, business or financial position.

By regulation under the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), companies operating in certain industries are not allowed to sell their overdue and defaulted receivables to third parties (*e.g.*, in the insurance industry for premiums). While it is prohibited to purchase their debt, we may provide these companies with up-front payments, which are made after the receivables have been transferred for service to us. In exchange for providing up-front payment, GFKL receives all further collections as a success fee. The up-front guarantee only reflects a portion of what a similar debt portfolio may cost in an open market purchase, as we purchase only the economic right to collect on a portfolio of debt, not full title to the underlying debt. However, it cannot be excluded that a debt servicing transaction including a third-party collection provider fee may be interpreted by the German regulator to be an

illegal sale or purchase of defaulted consumer debt, which may therefore have a material adverse effect on our business, results of operations, financial condition or reputation.

Our debt collection business may also be adversely affected by future supervisory and regulatory restrictions or qualifications. In particular, if the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) were to revise its interpretation of the relevant provision of the German Banking Act such that the ongoing purchase of receivables that are already due and payable qualifies as factoring, *i.e.*, the ongoing purchase of receivables in a commercial manner, and consequently also qualifies as the provision of financial services, our debt collection business could become subject to potentially costly or burdensome licensing requirements under the German Banking Act. See "*Regulation—Regulation pursuant to the German Banking Act*."

Furthermore, our group companies are allowed to conduct our debt collection business only if they are registered under the German Legal Services Act (*Rechtsdienstleistungsgesetz*) which requires proof of aptitude and reliability, theoretical and practical expertise in the area of the legal services to be provided and professional liability insurance coverage. As of the date hereof, SIR, DIG, PCS, IBW, ZYK, GCG, ITT and PPS are registered under the German Legal Services Act. If we fail to obtain these requirements, the relevant supervising authority may temporarily prohibit us from conducting further debt collections. The supervising authority may also entirely revoke the registration for certain reasons, *e.g.*, if our related insurance coverage is terminated or insufficient. Inability to obtain the registration would have a material adverse effect on our business. See "*Regulation—Regulation under the German Legal Services Regime*."

Several subsidiaries of GFKL Holdco collect, process and use personal data in their businesses, both when providing third-party debt collection services and purely debt purchase services. The collection, processing and use of personal data by companies established in Germany is governed by the German Data Protection Act (*Bundesdatenschutzgesetz*). Our subsidiary DIG is in the process of filing for registration under Section 4d of the Federal Data Protection Act (*Bundesdatenschutzgesetz*). Our business is dependent on its ability to collect, process, store and use such data and the ability to collect such personal data relating to collected or purchased debt, including personal data provided by the original creditors, credit information bureaus as well as publicly available personal data. Furthermore, debtors may challenge the validity of the transfer of purchased debt based on the infringement of data protection regulations or secrecy obligations. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business.

Data subjects, data protection authorities, competitors as well as consumer protection groups and other authorized associations may pursue claims against subsidiaries of GFKL Holdco for breach of the German data protection regulations. Unfavorable decisions or judgments based on these types of claims or challenges may result in:

- the institution of administrative, civil or criminal proceedings;
- sanctions and the payment of fines and penalties, including potential suspension or revocation of regulatory licenses depending on the severity and scale of any regulatory issues;
- changes in personnel;
- our inability to conduct business due to the loss of our regulatory license or restrictions or conditions being placed on our activities;
- increased review and scrutiny of our services by our clients, regulatory authorities and others; and
- negative media publicity and reputational damage.

Changes of data protection regulations or secrecy obligations can threaten our business substantially. On January 25, 2012, the European Commission published its draft Data Protection Regulation (*EU-Datenschutz-Grundverordnung*) and on June 15, 2015, the European Council agreed on the latest draft which will now be subject to negotiations among the Council, the EU-Commission and the European Parliament. The current form of the draft regulation proposes substantial changes to the EU data protection regime, involving the partial replacement of the current national data protection laws by an EU regulation. When implemented, the regulation will likely strengthen individuals' rights and impose stricter requirements on companies processing personal data. For example, the regulation might limit our rights to process personal data, make it difficult to obtain credit information, lead to cost-intensive administrative processes, oblige us to provide the personal data that we record to debtors in a form that would require additional administrative processes or require substantial changes in our IT-environment and organizational structure. In particular, the regulation could impair debt collectors' ability to use debtor data, for example, by restricting their ability to create debtor profiles. Depending on the outcome of the legislative process, the regulation may impose a substantially higher compliance burden on us and potentially impair our ability to use debtor data, for example by restricting our ability to create debtor profiles. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business. For further information see "*Regulation—Data Protection*."

If any of the information or debtor data that we use were to become public, including as a result of a change in governmental regulation, or if a legislator were to introduce measures that have the effect of facilitating the tracing of debtors, or if the current data processing restrictions were to change such that credit market participants could access credit information before the purchase of portfolios, or if the current data processing restrictions were to change such that we would be prohibited from using debtor data in the manner in which or to the extent it is currently used, we could lose a significant competitive advantage and our business could be negatively affected.

Compliance with the data protection and other regulatory framework is expensive and labor-intensive. For example, costs may arise from legal requirements to keep personal data safe and protected against unauthorized access over long periods. The failure to comply with applicable laws, regulations and rules, or our failure to comply with a contractual compliance obligation, could result in investigations and enforcement actions, licenses that we need to do business not being renewed or being revoked, fines or the suspension or termination of our ability to conduct collections. In addition, such failure to comply or revocation of a license, or other actions by us may damage the reputation of our clients. Furthermore, the external lawyers, with whom we concluded framework agreements are subject strict legal regimes. Our or the applicable external lawyer's failure to adhere to applicable laws and regulations may result in regulatory fines or other adverse consequences. Damage to our reputation, whether due to a failure to comply with applicable laws, regulations or rules, or revocation of a license or any other regulatory action or our failure to comply with a contractual compliance obligation, could deter vendors from choosing us as their debt purchase provider, third party collection services provider or for any other services that we provide, which could have a material adverse effect on our business, results of operations or financial condition.

We are subject to risks associated with our contracts and business model for debt collection services, including our ability to correctly assess pricing terms and the potential early termination or a reduction in the volume of claims we service.

The profitability of our debt collection services will generally depend upon our ability to successfully calculate prices by taking into consideration all economic factors and our ability to manage day-to-day operations under these contracts. Under most of our debt collection contracts we do not get paid unless a debtor begins paying on a claim and we may be unable to accurately predict the costs or identify the risks associated with these contracts or the complexity of the services, which may result in lower than expected margins, losses under these contracts or even the loss of clients. Some of our material contracts for debt collection services subject us to early termination clauses in a range of circumstances and also include benchmark clauses. If we are unable to satisfy the terms of our contracts then we could potentially have contracts terminated and lose clients and revenue.

The majority of our material debt collection contracts have an initial stated term, typically one to three years, and, in some cases, termination clauses permitting the client to cancel the contract at the client's discretion following the expiration of an agreed notice period. There can be no assurances that our clients will not exercise their rights to terminate their contracts prior to expiration or that we will be successful in negotiating new contracts with clients as such contracts expire. In addition, we are also exposed to unforeseen changes in the scope of existing contracts, including prices or volumes, that may occur as a result of any changes in the general business or political landscape of our clients. Generally, our debt collection contracts do not have volume commitments and a client can eliminate or reduce the volume of claims they outsource to us for debt collection without formally terminating the contract. We may have disputes or disagreements with our clients as to the level of services we have agreed to provide or contract terms. The potential effects of these risks may increase as we enter into larger contracts. If we are unable to fulfill our obligations under our contracts for any reason, we risk the loss of revenue and fees under that contract, the potential loss of a client and significant harm to our reputation. Any of our contracts could become more costly than initially anticipated, and as a result, we may experience significant increases in our operating costs and/or potential litigation. Furthermore, we may experience delays in integrating with our existing operations any additional collection platforms that we acquire or the carve-outs of our client's in-house collections departments. Accordingly, if we are unable to collect or maximize payments from debtors through our various initiatives, our business and financial condition may be adversely affected. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to collect the expected amounts on our existing debt portfolios or the value of our debt portfolios may deteriorate, which may lead to reduced profits, write downs or lost market opportunities.

As the length of time involved in collecting on our existing debt portfolios may be extensive and since the factors affecting debt collection rates may be volatile and outside our control, we may be unable to identify economic trends or make changes in our purchasing strategies in a timely manner. If our diligence for the purchased debt is not sufficiently comprehensive or if the assumptions used by us in our models are incorrect

including, but not limited to, claims not being time barred, the age and balances of the purchased claims being correctly stated by the sellers, debtors being alive and the claim not being a result of fraud, or if some of the accounts in a portfolio behave differently from the way we expect, there could result a loss of value in a portfolio after purchase, subsequent negative revaluations in our statement of financial position and a continuing deterioration in value over time as actual collections can deviate significantly from the collection estimates produced by our pricing model as accounts age. We do not have an insurance policy that covers breaches of guarantees, representations and warranties with respect to the quality of the purchased debt in our debt purchase agreements, therefore we may not be able to pass on the losses in the event that we cannot take recourse against the seller.

We purchase debt mainly at a discount to face value, except for small amounts of debt purchased through our PayProtect service, for which we pay the full face value of the debt. Debt that we purchase typically consists of loans that debtors have failed to repay and, in many cases, that the debt originator has deemed to be uncollectable. It is crucial for our business that we are able to identify portfolios that are of sufficient quality for us to determine what we are likely to collect on the claims. Before making the decision to generally sell their overdue or defaulted debt and other overdue receivables, clients usually make various attempts to recover on such receivables, often using a combination of in-house recovery efforts and third-party collection agencies. These overdue claims are difficult to collect and we may not collect a sufficient amount to cover our investment associated with purchasing the portfolios of overdue receivables and the costs of running our business. There can be no assurances that any of the claims contained in our purchased portfolios will eventually be collected. Furthermore, most of the claims that we own are unsecured and an increase in bankruptcy filings involving debtors could impact our ability to collect on those claims. If the cash flows from our existing portfolios (and the debt portfolios we purchase in the future) are less than anticipated, we may be unable to purchase all of the new debt portfolios that we would like to purchase, have to pay a higher interest rate to finance the purchase of new debt portfolios or have to accept lower returns. This could also result in further write downs of our debt portfolios. As a result of further write-downs or any of the above mentioned factors, this could have a material adverse effect on our business, results of operations or financial condition.

Limitations imposed on us by debt originators of debt portfolios may adversely impact our operational flexibility.

For the year ended December 31, 2014, we derived 44% of our revenue, excluding lawyer service revenue and other services revenue, from our debt purchase business (other services revenue shown as “other” in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of “service and programming revenue,” “maintenance revenue and royalties” and “other” in the notes to the 2014 Audited Consolidated Financial Statements). Contracts entered into with our clients for the purchase of debt portfolios typically impose various restrictions on our realization of value from the debt portfolios, including restrictions on our ability to resell portfolios, even if the legal title to the debt has been transferred to us. Debt originators from both our third-party collection services and purchased debt businesses may also restrict our flexibility in pursuing certain enforcement and collection activities. In addition, our clients may have the right to compel us to undertake or refrain from taking certain actions, including agreeing the fees that we can pass through to the respective debtors. Furthermore, debt originators may have rights to repurchase portfolios and require reassignment to protect against factors such as reputational risk. In instances where accounts are fraud-sensitive or where an accountholder has raised a complaint against the debt originator, among other things, debt originators may also have rights to repurchase or require reassignment of the respective debt portfolios. Debt originators may have the right to terminate such agreements upon a direct or indirect change of control of our company. As of the date hereof, certain of our contractual arrangements (including one with one of our four largest third-party collection services clients and a number of our forward flow agreements) include such change of control clauses, which might be exercised as of the Completion Date. Any of the foregoing factors may adversely impact the profitability of debt portfolios that we purchase and our operational flexibility and, therefore, have a material adverse effect on our financial condition and results of operations.

The statistical models and data analysis tools that we use in our business may prove to be inaccurate, we may not achieve anticipated levels of return and we may be unable to appropriately identify and address underperforming portfolios.

We use internally developed models and other data analysis tools extensively in our operations. For example, we use our experience driven models to estimate collection curves in relation to potential portfolio purchases. At the time of purchase, however, we are likely to have imperfect information about the precise age of the debt, the ability of the debtor to pay, the time at which the debtor will pay and the cost required to service and collect on such debts. Therefore, our ERC figures could be inaccurate. Moreover, our performance metrics, such as ERC and gross money multiple, are forward looking in nature and have inherent limitations as they are based on historical data and assumptions based on such data, which may prove to be inaccurate. In addition, our historical information about portfolios may not be indicative of the characteristics of subsequent

portfolios purchased from the same client or within the same industry due to changes in business practices or economic developments and our internal databases may not be as extensive as needed for a comprehensive data analysis. There is a significant amount of management judgment and estimation involved in purchasing and valuing portfolios and there can be no assurances that management's judgments and estimations will prove to be accurate. Furthermore, although we have review structures in place designed to ensure that portfolios performing significantly outside of forecast will be reviewed by management, there can be no assurances that we will be able to appropriately identify and address underperforming portfolios.

In addition, our data analytics team may not be able to achieve the desired results and may not be able to create the data analytics functions which we need in order to operate profitably.

In addition, if we purchase types of debt portfolios with which we have limited experience or from clients with whom we have no prior dealings, our ability to properly price and collect on such debt portfolios may be adversely affected. Lack of reliable information, or the use of inaccurate assumptions, can lead to mispricing of purchased portfolios, which may have an adverse effect on the financial returns from such portfolios, or can lead us to underbid and lose bids for debt portfolio purchases. Our statistical models and analysis tools assess information provided by third parties, such as credit information suppliers and other mainstream or public sources, or generated by software products. We have no control over the accuracy or sufficiency of information received from such third parties. If such information is not accurate or sufficient, we could incorrectly price portfolios that we purchase, or incorrectly value our existing debt portfolios, set client prices or performance goals inaccurately, and experience lower liquidation rates or larger operating expenses.

There can be no assurances that any of the current or future debt contained in our purchased portfolios will eventually be collected. If we are not able to achieve forecasted levels of collection and underlying cost assumptions, valuation impairments may be recognized, our portfolios may be written down and revenue and returns on purchases of portfolios may be reduced. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

We may experience volatility in our reported financial results due to the revaluation of our purchased debt portfolios and the timing of portfolio purchases during the financial year.

Our purchased portfolios are initially recorded at their acquisition cost representing the present value of forecasted cash flows (net of estimated costs) and thereafter held at fair value through profit and loss. The fair values of our debt portfolios are tested regularly. Any movement in fair value after the revaluation process is charged through the profit and loss account. Accordingly, the value of our purchased portfolios as recorded on our Consolidated Financial Statements may fluctuate each time we review our forecasted cash flows using our internal procedures.

We calculate our forecasted cash flows based on a number of factors, including information specific to the debt portfolio and data from our historical cash collection experience. These historical, empirical values form our assumptions regarding underlying collection fundamentals applicable at the time, including, among other things, general economic conditions, the collections strategy used, changes in applicable regulation and debtor behavior. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Factors Affecting our Results of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecasts and Revaluation of Purchased Debt Portfolios*." Any changes to these assumptions would result in revaluations, which could cause changes in the fair value of the consolidated financial statements and lead to the inclusion of income/expenses from fair value measurement on our consolidated financial statements. Such changes in the fair valuation and in the forecasted future cash collections compared to original estimates may be due to changes in service costs or market interest rates.

There is sometimes a gap between the point in time when we purchase a portfolio and the point in time when we begin earning returns on the purchased portfolio. This is because we do not always have control over when a deal to purchase a portfolio will close and we need to locate debtors, build a consolidated profile of each such debtor's circumstances and formulate an appropriate repayment solution before we can start to collect on a purchased portfolio. As a result, we may experience fluctuating cash flows and delays in generating income from purchased portfolios. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

We use a number of estimates and assumptions in the preparation of our consolidated financial statements, which could prove to be incorrect or cause our earnings to fluctuate.

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered by management to be reasonable under the circumstances at the time. These

estimates and assumptions form the basis of judgments about the carrying amounts of assets and liabilities that are not readily available from other sources.

Areas requiring more complex judgments may shift over time, based on changes in accounting policies or on changes in our business profile. In particular, we expect to become subject to IFRS 15 on or after January 1, 2017. We believe that how and when we recognize revenue will be affected by the implementation of IFRS 15. In addition, more complex judgments are required in relation to revenue recognition, impairment of our purchased loan portfolios, collection forecast and impairment tests of our goodwill, among others. For example, the estimates used to calculate the projected IRR and Net IRR (net of debt collection activities and an amount for general expenses and overheads) on our purchase portfolios are primarily based on historical cash collection experience and payer dynamics. If future cash collections are materially different in amount or timing, our earnings could be affected, either positively or negatively. Higher collection amounts or cash collections that occur sooner than projected will have a favorable impact on revenue in the form of impairment reversals. In addition, higher collection amounts or cash collections that occur sooner than projected could have the effect of reducing the expected future value of our loan portfolios, requiring us to purchase additional loan portfolios in order to maintain our level of expected future cash flows, which we might not be able to do. Lower collection amounts or cash collections that occur later than projected will have an adverse impact and may result in an impairment of the purchased loan portfolio. Impairments, in turn, cause reduced and fluctuating earnings. In the future, should actual results differ from management's estimates and assumptions (particularly with respect to revenue recognition and collection forecast) this could have a material adverse effect on our business, prospects, results of operations and financial condition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

It can take several years to realize cash returns on our investments in purchased debt portfolios, during which time we are exposed to a number of risks in our business.

It is not unusual to take in excess of 24 months for us to recoup the original purchase price of our investment in debt portfolios after taking into consideration our direct and indirect operating costs, our financing costs, taxes and other factors (*e.g.*, real estate costs, legal and consulting costs and IT expenses). We typically measure our investments based on a projected return, typically up to 120 months, based on our own historical data and collection forecast. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Key Operating Metrics—Estimated Remaining Collections ("ERC").*" During this period, significant changes may occur in the economy, the regulatory environment, our business or our markets, which could lead to a substantial reduction in our expected returns or forecasted collection plan, a reduction of which could cause us to record an impairment of our purchased debt portfolio, or reduce the value of the debt portfolios that we have purchased. Given the multi-year payback period on substantially all our purchases, we are exposed to the risk of any such changes for a significant period of time, which could have a material adverse effect on our business, results of operations or financial condition.

Failure to renew existing debt collection contracts on similar terms or at all, win new debt collection contracts, replace terminated forward flow agreements or successfully manage our commitments under forward flow agreements may adversely affect our revenue.

We obtain most of our debt collection contracts through a competitive bidding process, and substantially all of the debt collection contracts that we expect to seek in the foreseeable future likely will be subject to a competitive bidding process. We may be required to compete to renew existing debt collection contracts that have in the past been awarded to us without competition from competitors or for which we have been the incumbent provider of debt collection services for a long time. We may also enter into debt collection contracts at price levels or with margins that are lower than we find acceptable, if we want to develop new client relationships or get a foothold in new industries or if the overall competition for debt portfolios increases. We may not be afforded the opportunity in the future to bid on debt collection contracts that are held by other companies and are scheduled to expire if the existing contract is extended. In addition, we cannot be certain that all our existing clients will choose to continue to use our debt collection services for the same volumes of debt or at all in the future. Our inability to renew contracts with existing clients on similar terms or at all or to find suitable replacements could have a material adverse effect on our business, financial condition and results of operations.

In the period from September 30, 2003 to December 31, 2014, 36% of our purchased portfolios were acquired pursuant to forward flow agreements, representing €106 million in purchase price consideration and a principal value of €392 million, which excludes any accrued interest and any fees and costs at the time of purchase. A forward flow agreement is an arrangement in which we agree to purchase claims based on specific parameters from a third-party supplier on a periodic basis at a set price over a specified time period. Although our fixed term forward flow agreements mainly include provisions for automatic renewal if none of the parties expressly terminates the agreement, a number of our forward flow agreements may expire in 2015

and 2016. We could lose a potential source of income if we are unable to renew or replace any volume represented by our forward flow agreements upon termination or expiration. Although we expect that many of these will be renewed, our current forward flow agreements provide no medium to long-term assurance on purchasing levels.

Our forward flow agreements may contractually require us to purchase portfolios at unfavorable or uneconomic prices.

In the period from September 30, 2003 to December 31, 2014, 36% of our purchased portfolios were acquired under forward flow agreements, representing €106 million in purchased debt. Commitments under forward flow contracts are typically for approximately one to three years, however, depending upon the length of the contractual arrangements, forward flow agreements generally contain termination clauses that allow the arrangement to be terminated early and on relatively short notice in certain circumstances, such as where there is a change of control of GFKL or at will for certain of our clients. We may be required to purchase debt under a forward flow agreement for an amount higher than we would otherwise have agreed at the time of purchase due to pressure from larger clients or major debt portfolio sellers, which could result in reduced returns. In addition, we could be faced with a decision to either decrease our purchasing volume, agree to forward flow agreements at a higher average price or agree to fewer contractual protections concerning the portfolios we purchase, any of which could have a material adverse effect on our results of operations. We generally allow for some margin for future fluctuations in value of the debt we purchase through forward flow agreements, but future fluctuations in value may exceed that margin due to circumstances beyond our control, such as economic conditions or other market conditions. If the quality of debt purchased varies from our pricing assumptions, we may price the contract improperly, which could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to procure sufficient funding on favorable terms to purchase further debt portfolios as they become available.

Historically, we have funded purchases of portfolios through cash generated by our operations, borrowings and loans procured by our majority shareholder. Our ability to obtain funding in the future from these sources will depend on our performance and prospects, as well as other factors beyond our control. Such factors may include weak economic and capital market conditions during or prior to periods in which attractive debt portfolios are available for purchase, the ability and willingness of banks and other creditors to lend to our industry generally or to us, in particular, and changes in fiscal, monetary and other government policies, among others. An inability to procure sufficient funding at favorable terms to purchase portfolios as they become available could have a material adverse effect on our business, results of operations or financial condition.

We could be adversely affected if third parties, including lawyers or data providers, servicing our debt portfolios, perform poorly, cease to provide services or fail to comply with applicable regulatory requirements.

Our business is dependent on a number of key relationships with third parties as part of the supply chain to provide our services. For example, when our internal debt collection efforts are unsuccessful, we may engage law firms, with which we have framework service agreements, to collect or enforce the receivables in our or in the name of our clients. Any failure by the law firms or other third parties to adequately perform collection services for us on an efficient basis for any reason (including insolvency) or to meet agreed service levels could materially reduce our cash flows, income and profitability, and adversely affect our reputation and results of operations.

Furthermore, these third parties may not be bound by our industry standards and practices. These third parties could commit fraud with respect to the customer accounts that we place with them or fail to comply with applicable laws and regulations such as data protection requirements or to provide us with accurate data on the accounts they are servicing. To the extent that these third parties violate laws, other regulatory requirements or their contractual obligations to us, or act inappropriately in the conduct of their business, our business and reputation could be negatively affected or penalties could be directly imposed on us.

In addition, we depend on banking systems to execute payment transactions in connection with our business. A systematic shutdown or any other disruption of the banking industry or one of the banks we work with would impede our ability to process funds on behalf of clients and to collect on claims. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

We rely partly on publicly available data provided by multiple credit information suppliers and other sources in order to operate our business. Our business, along with the businesses of our competitors, could be negatively affected if any third-party sources were to stop providing this data for any reason, including a change in laws or regulations, or if they were to raise the price of their services. Furthermore, if such suppliers

provide us with inaccurate data, we may have no recourse against them if we are exposed to claims by our clients, debtors or alleged debtors arising from the use of such inaccurate data, which may also lead to reputational damage. Conversely, through our subsidiaries we provide data to third parties as well and there is a risk that data provided by us may prove to be inaccurate or false and third parties could take recourse against us for providing false data.

Any of these developments could hinder or prevent us from using our data analysis as part of our business and could have a material adverse effect on our business, results of operations or financial condition.

We may make acquisitions or pursue business combinations that prove unsuccessful or that strain or divert our resources and we may not be able to manage our growth effectively.

We may selectively pursue potential acquisitions of other CMS companies to increase our market share. There can be no assurances that we will be able to identify or complete purchases or acquisitions or that, if identified, any anticipated benefits will be realized from such purchases or acquisitions. Furthermore, it may take longer than expected to realize projected benefits from such purchases or acquisitions because we often cannot control the timing of the closing of such transactions. In addition, acquisitions may place additional constraints on our resources, including diverting the attention of our management from other business concerns. In addition, successful completion of an acquisition may depend on consents from third parties, including regulatory authorities and private parties, which are beyond our control. Further, we are subject to the risks associated with write-downs and impairments to goodwill in connection with acquisitions.

If we carve-out in-house collections operations from our clients or wholly acquire other receivables management companies, we may not be able to successfully integrate these businesses with our own and we may be unable to maintain our standards, controls and policies, which may result in compliance issues, goodwill write offs and damage to our reputation. Our successful integration of acquired businesses will depend on our ability to effect any required changes in operations or personnel, and may require other capital expenditure or the funding of unforeseen liabilities. In addition, the integration and operation of any future acquisitions may expose us to certain risks, including difficulties in integrating the acquired businesses in a cost effective manner, the establishment of effective management information and financial control systems, transition difficulties with clients and unforeseen legal, regulatory, contractual, labor or other issues arising out of the acquisitions. Any failure to assess suitable acquisitions or to properly integrate them once acquired could have a material adverse effect on our business, financial condition and results of operations. For example, in July and October 2014, we acquired a 51% interest in ITT and fully acquired DMA, respectively. We have made efforts to integrate these new entities under a one-company vision. However, it may take longer than anticipated to integrate both entities in the GFKL group or we may face costs and IT risks in integrating their respective IT platforms with our platforms and accordingly, such factors may divert the attention of our management from other business concerns. In addition, we acquired DMA as part of a strategy to improve data analytics and monetize data mining services to external clients. It may take longer than anticipated to build the data mining capability and ensure a seamless interface between DMA and other GFKL entities, which could accordingly strain our internal resources.

Further, although we regularly acquire purchased debt portfolios, if we acquire a significant debt portfolio, and we are unable to realize our estimated collections on such debt portfolio, then the results of such an acquisition could have a material adverse effect on our returns.

We currently operate exclusively in Germany. If in the future we expand internationally into new jurisdictions through further acquisitions, our business will be subject to applicable laws, regulations and licensing requirements in those new jurisdictions, which may be different or more stringent than in Germany. We will be subject to the risks of inflation, recession, currency and interest rate fluctuations, an inability to enforce remedies, difficulty in adequately establishing, staffing and managing operations, risk of non-compliance and business integrity issues, variations in regulation and governmental policies, including additional fees, costs and licenses, and risk of political and social instability.

There can be no assurances that we will be able to manage our growth effectively and that our infrastructure, facilities and personnel will be adequate to support our future operations or to effectively adapt to future growth. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

We may not be able to successfully maintain and develop our IT infrastructure platform or data analysis systems, anticipate, manage or adopt technological advances within our industry or prevent a breach or disruption of the security of our IT infrastructure platform and data analysis systems.

We rely on our IT infrastructure platform and data analysis systems and our ability to integrate these technologies into our business is essential to our competitive position and our success. This dependency subjects us to inherent costs and risks associated with maintaining, upgrading, replacing and changing these

systems, including impairment of our information technology, substantial capital expenditures and demands on management time. For example, the carve-out of in-house collection operations or the acquisition of another debt collection company may force us to upgrade the IT platform and data analysis systems of the newly acquired operations or entity to meet our standards, causing increased capital expenditures and demands on management time.

IT and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis. We may not be successful in implementing improvements of our IT or data analysis systems and improving operation efficiency through further IT development, which could result in additional costs. The cost of these improvements could be higher than anticipated or result in management not being able to devote sufficient attention to other areas of our business. We depend on having the capital resources necessary to invest in new technologies to purchase and service claims and there can be no assurances that adequate capital resources will be available to us at the appropriate time. Furthermore, if we become unable to continue to acquire, aggregate or use such information and data in the manner or to the extent in which it is currently acquired, aggregated and used, due to lack of resources, regulatory restrictions or any other reason, we may lose a significant competitive advantage. For example, DMA holds a data trading license that provides us with the future potential to enter into the data trading field and leverage our extensive databases. However, this and other potential initiatives are not yet fully developed and may not achieve their desired results, which could cause us to lose valuable market opportunities and fall behind our competition in advanced data analytics.

Any security breach in our IT infrastructure platform and data analysis systems, or any temporary or permanent failure in these systems, could disrupt our operations. We may be required to enhance capabilities and resilience and we may be subject to future attempts to gain unauthorized access to confidential or sensitive information. Our websites could potentially suffer cyber-attacks, which could disrupt our IT infrastructure platform and data analysis systems and impair our ability to provide online services. In addition, in the event of a catastrophic occurrence, our ability to protect our infrastructure and maintain ongoing operations could be significantly impaired. Our business continuity and disaster recovery plans cover the majority of our systems and services, but may not be successful in mitigating the effects of a catastrophic occurrence, such as fire, flood, tornado, power loss or telecommunications failure for some or all of our IT infrastructure platform and data analysis systems. Any of these developments could hinder or prevent us from using our IT infrastructure platform or data analysis systems as part of our business and could have a material adverse effect on our business, results of operations or financial condition.

Our operations could suffer from telecommunications or technology downtime, increased technology costs, or an inability to successfully anticipate, manage or adopt technological advances within our industry.

Our success depends on sophisticated telecommunications and computer equipment, as well as software systems. In the normal course of our business, we must record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for our pricing and collection activities. We also use these systems to identify and contact large numbers of debtors and record the results of our collection efforts. These systems could be interrupted by terrorist acts, natural disasters, power losses, computer viruses or similar events. Any failure of our systems, especially if it also impacts our backup or disaster recovery systems, would disrupt our operations and materially and adversely affect our business. Any temporary or permanent loss of our ability to use our telecommunications or computer equipment and software systems could disrupt our operations and have a material adverse effect on our financial condition, financial returns or results of operations.

Further, our business depends heavily on services provided by various internet service providers and local and long distance telephone companies. Our ability to use telecommunications systems to contact debtors is governed by data protection, telecommunications, and privacy requirements and regulatory rules and guidance issued by the German regulator. These may change and may make using, accessing, transferring or storing customer documentation more onerous in the future. If our equipment or systems cease to work or it becomes difficult to continue to use them in the same manner as we do today as a result of any regulatory development, we may be prevented from providing services and we may not be able to collect on the receivables we have purchased. We may face similar consequences if there is any change in the telecommunications market that would affect our ability to obtain favorable rates on communication services or if there is any significant interruption in internet or telephone services. Since we generally recognize revenue and generate operating cash flow primarily through collections, any failure or interruption of services and collections would mean that we would continue to incur payroll and other expenses without any corresponding income.

Improper disclosure of our clients' sensitive data, debtor data or a breach of data protection laws could negatively affect our business or reputation.

We handle and process large amounts of potentially sensitive or confidential information such as personal information of debtors, including names and account numbers, locations, contact information and other account specific data. Any security or privacy breaches of these databases could expose us to liability, increase our expenses relating to resolution of these breaches, harm our reputation and deter clients from conducting business with us. We rely on our data analysis system to record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for our debt collection and for our analysis of potential debt purchases. Our ability to conduct our business, such as the ability to price the purchase of portfolios, trace debtors and develop tailored repayment plans, depends on our ability to use debtor data in our data analysis system. Our ability to obtain, retain, share and otherwise process debtor data is governed by data protection laws, privacy requirements and other regulatory restrictions, including, for example, that personal data may only be collected for specified, explicit and legitimate purposes, and may only be processed in a manner consistent with these purposes. Further, the collected personal data must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed, and it must not be kept in a form that permits identification of debtors for a longer period of time than necessary for the purposes of the collection or other legal obligations, *e.g.*, German Commercial Code (*Handelsgesetzbuch (HGB)*). We may not be able to prevent the improper disclosure or processing of such sensitive information in breach of contract and applicable law. These databases and debtor data are vulnerable to damage from a variety of sources, including telecommunications and network failures and natural disasters. The databases are also vulnerable to human acts both by individuals outside the GFKL Group as well as our employees, including fraud, identity theft and other misuse of personal data. Moreover our systems may be subject to physical or electronic break-ins, computer viruses and similar disruptive problems. Any security or privacy breach of these databases could expose us to liability, increase our expenses relating to the resolution of these breaches, harm our reputation and deter vendors from selling debt to us. Any material failure to process debtor data in compliance with applicable laws could result in the revocation of our licenses, monetary fines, criminal charges and breach of contractual arrangements. Any issue of data protection could have a material adverse effect on our business, results of operations or financial condition.

Failure to protect our debtor data from unauthorized use or provide adequate data protection could negatively affect our business.

Failure to protect, monitor and control the use of our debtor data could cause us to lose a competitive advantage. We rely on a combination of contractual provisions and confidentiality procedures to protect our debtor data and our debtor data is stored and protected in our IT infrastructure platform with access limitations in accordance with our technical and organizational measures. These measures afford only limited protection and competitors or others may gain access to our debtor data. Our debtor data could be subject to unauthorized use, misappropriation, or disclosure, despite having required our employees, consultants and clients to enter into confidentiality agreements. There can be no assurances that such confidentiality agreements will not be breached or will be of sufficient duration and that adequate remedies will be available in the event of an unauthorized use or disclosure. Policing unauthorized use of such rights can be difficult and expensive and adequate remedies may not be available or available in an acceptable time frame. A failure to protect our debtor data from unauthorized use, or to comply with current applicable or future laws or regulations, could have a material adverse effect on our business, results of operations or financial condition.

Our confidentiality agreements may be breached, or may fail to protect our proprietary processes and systems.

We rely upon unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. Certain of our employees possess valuable trade secrets about our models, customer databases and our business processes, and the risk of disclosure of such proprietary know how could be heightened if any such employee ceases to work for us. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our proprietary know how, there can be no assurance that:

- our confidentiality agreements will not be breached or will be of sufficient duration;
- such agreements will provide meaningful protection for our trade secrets or proprietary know-how; or
- adequate remedies will be available in the event of an unauthorized use or disclosure of these trade secrets and know-how.

In addition, there can be no assurances that others will not obtain knowledge of these trade secrets through independent development or other access by legal means.

We may initiate lawsuits to enforce our confidentiality agreements and the ownership of our intellectual property. Initiating litigation relating to intellectual property rights is costly and may divert technical and management personnel from their day-to-day responsibilities. In many cases it may not be possible to initiate a lawsuit prior to the disclosure of our trade secrets or proprietary know how, at which point the damage to our competitive position may be severe or irreparable. Furthermore, we may not prevail in any such litigation or proceeding. A determination in a proceeding that results in a finding of non-infringement or non-violation by others of our intellectual property or confidential agreements may result in the use by competitors of our technologies or processes, which may have a material and adverse effect on our financial condition, financial returns and results of operations.

Loss of one or more members of senior management or a significant number of trained personnel could negatively affect our business.

Our future success depends on the skills, experience and efforts of our senior management and other key personnel and our ability to retain such members of our senior management team and other key employees. We may not be able to retain our executive officers and key management personnel or attract additional qualified management in the future. The loss of the services of our senior management and other key personnel could seriously impair our ability to continue to purchase portfolios or collect claims and to manage and expand our business, which could have a material adverse effect on our business, results of operations or financial condition.

In addition, our growth requires that we continually hire and train new debt collectors. A higher turnover rate among our debt collectors will increase our recruiting and training costs and limit the number of experienced debt collection personnel available to service our and our clients' portfolios. If this were to occur, we would not be able to service such portfolios effectively and the constraint on our resources may reduce our ability to continue our growth and to operate profitably. The demand in our industry for personnel with the relevant capabilities and experience is high and our success in attracting and retaining employees is not guaranteed. There can be no assurances that we will be able to continue to hire, train and retain a sufficient number of qualified personnel or be flexible enough to react to changing market environments.

We also have a number of employees who possess critical knowledge about our IT infrastructure platform, data analysis systems and our debt purchase operations and an inability to retain these employees could negatively impact our business. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Increases in labor costs, potential labor disputes and work stoppages could negatively affect our business.

Our financial performance is affected by the cost of labor. As of December 31, 2014, we had a total of 965 individual employees (including part time employees, apprentices and temporary employees) with a total of 801 FTEs from continuing operations. An increased demand for our employees from competitors could increase costs associated with employee compensation which could have a material adverse effect on our business, results of operations or financial condition. Our employees have established a company works council (*Konzernbetriebsrat*), two joint works councils (*Gesamtbetriebsräte*) and seven works councils (*Betriebsräte*). We also have two collective bargaining agreements (*Manteltarifverträge*) currently in force for employees who were carved out of our clients' operations. Any move by our employees toward further unionization or any other labor relations disputes or work stoppages and strikes could disrupt our operations and have a material adverse effect on our business, results of operations or financial condition.

Litigation, investigations and proceedings may negatively affect our business.

We may be adversely affected by judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings now pending or that may be instituted in the future, or from investigations by authorities, regulatory bodies or administrative agencies. There are certain lawsuits pending, which if the outcomes are resolved against us, could have a material adverse effect on our business, results of operations or financial condition. See "*Our Business—Litigation*." For example, we are engaged in ongoing appraisal right proceedings in relation to the 2005 merger of GFKL Holdco and a listed stock corporation ABIT AG, where ABIT AG shareholders were offered a GFKL share conversion or cash compensation for their ABIT shares. Twenty-seven ABIT shareholders initiated an appraisal rights proceeding and while an initial decision was rendered in 2012, the decision was set aside and the matter was remitted to the district court. The outcome of this proceeding is inherently uncertain. As of December 31, 2014, we have recognized provisions of €7.3 million for potential payments. However, we cannot predict when the matter will be resolved or assure you that any such litigation will not result in payment of settlement amounts or the granting of other remedies in excess of what we have provisioned. See "*Our Business—Litigation*."

We may become subject to claims and a number of judicial and administrative proceedings, including consumer credit disputes with debtors, labor disputes, contract disputes, intellectual property disputes, environmental proceedings, government audits and proceedings, tax audits and disputes and client disputes. In some proceedings, the claimant may seek damages as well as other remedies, which, if granted, would require expenditures on our part and we may ultimately incur costs relating to these proceedings that exceed our present or future financial accruals or insurance coverage. Even if we or our directors, officers and employees (as the case may be) are not ultimately found to be liable, defending claims or lawsuits could be expensive and time consuming, divert management resources, damage our reputation and attract regulatory inquiries. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

Our collections may decrease and/or the timing of when we collect be delayed if the number of consumers becoming subject to personal insolvency procedures increases.

We recover on claims that may become subject to insolvency procedures under applicable laws and we also purchase portfolios containing claims that are currently subject to insolvency proceedings, including those regarding natural persons (*Verbraucher*) (for further details on such German law insolvency proceedings regarding natural persons please refer to "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Germany—German insolvency proceedings regarding natural persons*"). Various economic trends and potential changes to existing legislation may contribute to an increase in the number of consumers subject to personal insolvency procedures. As of December 31, 2014, the Federal Association of German Debt Collection Companies (*Bundesverband Deutscher Inkasso-Unternehmen e.V.* (*BDIU*)) expected the general consumer payment behavior to deteriorate in 2015, with the payment behavior of consumers considered far worse than that of commercial debtors. Under some insolvency procedures, a person's assets may be sold to repay creditors, but because the debt portfolios that we service are generally unsecured, we are generally unable to collect on such debt portfolios through these proceedings. Therefore, our ability to successfully collect on portfolios may decline or the timing on when we collect on portfolios may be delayed with an increase in personal insolvency procedures. These scenarios could have a material adverse effect on our business, results of operations or financial condition.

We may be unable to enforce accounts where any underlying debt documentation is legally defective.

When we commence enforcement actions through legal proceedings, courts may require a copy of the account statements or applications to be attached to the pleadings in order to obtain a judgment against a particular customer. Where we are unable to produce account documents in response to a customer's request, that account would be legally unenforceable. Furthermore, if any of the account documents we do have were found to be legally unenforceable, courts may deny our claims. Any changes to laws, regulations or rules that affect the manner in which we initiate enforcement proceedings, including rules affecting documentation, could result in increased administration costs or limit the availability of litigation as a collection tool, which could have a material adverse effect on our business and results of operations. Additionally, our ability to collect by means other than legal proceedings may be impacted by laws that require that certain types of account documentation be in our possession prior to the institution of any collection activities, which could also have a material adverse effect on our business and results of operations.

We may purchase portfolios that contain accounts that are not eligible to be collected, including due to defects in customer documentation that may make the credit agreements unenforceable, and an enforcement of related claims may be difficult.

In the normal course of our debt portfolio purchases, and in the management of any forward flow agreements that we may enter into from time to time, some individual accounts may be included in the portfolios that fail to conform to the terms of the purchase contracts and we may seek to return these accounts to the debt originator for payment or replacement. Such debt originator may, however, be unable to meet its obligations to us or we may not identify non-conforming accounts soon enough, or at all, to qualify for recourse to the debt originator. Further, our debt purchase agreements impose or may impose restrictions on our ability to return non-conforming accounts by imposing a minimum threshold value that must be met. Each contract specifies which accounts are eligible and which are not. Examples of ineligible accounts could include those that have a foreign address, have been subject to fraud, those that have an incorrect balance or those where the customer is serving time in prison. Accounts that would be eligible for recourse if discovered in a timely fashion, but that we do not discover in time for such recourse, are likely to yield no return.

If we fail to identify whether our requirements are met during the due diligence process undertaken during a debt purchase transaction, the applicable credit agreement may become unenforceable and require us to undertake a remediation exercise that may result in balance adjustments and/or cash refunds due on the purchased accounts. In some cases, such remediation exercises may result in the amounts of compensation

exceeding the purchase price and therefore resulting in total loss of the portfolio value and potentially additional expenditure on our part. The quality of historical customer documentation may not allow, in each case, the discovery of past breaches relating to form and content requirements which would impair our ability to correctly assess the value of the portfolio, resulting in the risk of loss or reduction in the particular purchased portfolio's value.

As our business relies on our ability to enforce the contracts underlying our owned customer accounts, a contract found to be invalid or unenforceable could hinder our ability to recover from purchased accounts. If we purchase debt portfolios containing too many accounts that do not conform to the terms of the purchase contracts or contain accounts that are otherwise uncollectable or unenforceable, we may be unable to recover a sufficient amount, or anything at all, and such a portfolio purchase could be unprofitable. Additionally, we may be unable to ascertain whether the debt originator has been in compliance in connection with the underlying accounts at a sufficiently early stage. With respect to any future acquisitions of other debt collection companies, we may not have any contractual protection in relation to liabilities or operating or other problems in relation to the loan portfolios of the acquired company, and we may not discover such shortcomings until after completion of such acquisitions. This could lead to adverse accounting and financial consequences, such as the need to make substantial provisions against the acquired assets or to write down acquired assets.

Since we mostly act as beneficial owner, we may not be able to collect on a portfolio to which someone else held legal ownership, or would need to spend time and resources establishing our own legal ownership of the portfolio if such ownership was unclear. Moreover, in instances where underlying documentation does not prove the existence, ownership or enforceability of an account, or where an account balance is incorrect, we may not always have the right to transfer such accounts back to the debt originator. Additionally, in such instances, we may be contractually required to repurchase accounts that we have subsequently sold to third parties.

Furthermore, enforcement of claims under German law generally requires a creditor to obtain an execution title (*Vollstreckungstitel*). An execution title is not automatically transferred with the underlying claim. An execution title is generally rendered in the name of a specific creditor who has the sole right to enforce the claim. Although we benefit in many portfolio debt purchases from acting as a beneficial owner with the original creditor as trustee, which allows us to enforce on the basis of existing execution titles, we may not be able to enforce the claim using the existing execution title if the original creditor is no longer available to serve as trustee, *e.g.*, if the creditor will be liquidated. We also may not use an existing execution title if we are the legal owner of the claim. In such situations, an execution title must be amended by way of a circumscription of title (*Titelumschreibung*), subject to certain legal requirements set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). This procedure allows other persons who are not named in the respective execution title to use it for enforcement. The circumscription of title bears additional cost which is incurred for any single claim and may result in considerable additional expense. Additionally, under certain circumstances it may be difficult or impossible to achieve a circumscription of title, *e.g.*, if the documentation required by law is not available or the original creditor ceases to exist, which may prevent us from enforcing a claim. Any of the foregoing factors could have a material adverse effect on our business and results of operations.

Any of the foregoing factors could materially and adversely affect our financial condition, financial returns and results of operations.

Historical operating results and quarterly cash collections may not be indicative of future performance.

Our past performance may not be indicative of future operating results. Our results of operations and financial condition are dependent on our ability to generate collections from overdue receivables, which in turn is impacted by the ability of debtors to pay. The ability of debtors to refinance their existing debt, as well as annual cycles in disposable income, could result in the reduction in the volume of NPLs available for collection or purchase. In addition, we are exposed to quarterly variations in our operating results, which may be affected by the timing of the closing of debt portfolio purchases, which we often cannot control and may be uneven during the year, and the speed with which we can integrate the portfolios into our systems. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

Uneven debt portfolio supply patterns may prevent us from pursuing all of the debt purchase opportunities we would like to pursue and may result in us experiencing uneven cash flows and financial results.

Debt portfolios do not become available for purchase on a consistent basis throughout the year. Accordingly, there may be times when a number of portfolios, or particularly large portfolios, are available for purchase at similar times which may prevent us, due to restrictions in our funding ability, from pursuing all of the then available debt purchase opportunities. As a result, we may fail to maintain our market share. The

inconsistency in the availability of debt portfolios for purchase may mean that during certain financial reporting periods we may make few or no purchases of debt portfolios. In addition, large purchases at the end of a financial period would likely have a material and adverse effect on our reported financial ratios. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

It is not unusual to experience a gap between the time of acquisition of a debt portfolio and the time that we begin earning returns on the acquired portfolio as we need to locate customers, build a consolidated profile of each such customer's circumstances and formulate an appropriate repayment solution before we can start to collect on an acquired portfolio. As a result, we may experience uneven cash flows and delays in generating income from purchased loan portfolios. For example, if we were to acquire a material portfolio at the end of a reporting period then this would increase our net debt or reduce our cash on hand without generating cash or contributing to Adjusted EBITDA for the relevant period. See "*—We may not be able to procure sufficient funding on favorable terms to purchase further debt portfolios as they become available*."

Rising interest rates could impair the ability of our customers to pay their debt which could have a material adverse effect on our financial condition, financial returns and results of operations.

Rising interest rates could impair the financial viability of debtors who have variable interest rate obligations or other significant debt that bears floating rate interest. If our customers experience a reduced ability to pay their debt, debt collection agencies may require higher commissions to address increased collection activity costs, and we could face higher payment plan default rates and lower average payments, any of which could reduce our cash generation or prolong the time required to collect cash, and reduce our return on capital and ERC. Even if we are able to develop payment plans in relation to certain of these obligations, such measures may prove unsuccessful. Further, we could more quickly reach a point of saturation with certain customers (*i.e.*, the number of accounts matched to a customer may reach a point at which that customer lacks the financial means to pay on all of the accounts that we own). Even if our efforts were to prove successful in avoiding some defaults, total collections may still decline or the timing of receipt of payments may lengthen, any of which would impair our financial condition and results of operations.

Our hedges may be ineffective or may not be implemented correctly.

We are subject to the risk of changes in interest rates and their impact on our derivative instruments. We use interest rate swaps to hedge the effect of changes in the interest rate on our profit and loss, primarily to hedge changes in the value of NPL portfolios caused by changes in interest rates. We further hedge parts of our cash flow risk which arises out of variable interest agreements on the refinancing side. We enter into a derivative contract by paying fixed interest payments in exchange for receiving floating rate interest payments. When interest rates rise, our unhedged floating rate and new financing costs rise, thereby reducing our profit or increasing our loss, but we also receive higher interest income from our derivative instruments, which offsets (to the extent of such increase in income) the decline in profit or increase in loss from the rise in financing costs. Conversely, when interest rates decline, our unhedged floating rate and new financing costs decline, thereby increasing our profit or decreasing our loss, but our interest income from our derivative instruments also declines, thus offsetting (to the extent of such decrease in income) any changes to profit and loss due to interest rate movements. We are subject to the risk that there is a mismatch either between the interest swap performance and the change in the underlying funding cost that the derivative instruments are structured to hedge, or between the swap and the fair value change of the NPL portfolios due to changes in market interest rates. We are also exposed to the risk that our hedges could be implemented or priced incorrectly. Volatility in interest rates could impact valuation of interest rate swaps and therefore impair our ability to enter into these contracts on terms that enable us to achieve the hedging we need. If interest rates turn negative, our derivative instruments would not achieve our hedging needs. In addition to paying fixed interest payments, a negative interest rate would increase our interest payment instead of our receiving a floating rate interest payment in return. Furthermore, our derivative contracts may be subject to termination or break clauses, which may force us to renegotiate or replace those contracts on unattractive terms. Any of these events could cause losses and have a material adverse effect on our business, results of operations or financial condition.

We may not be successful in achieving our strategic goals.

We may not be successful in developing and implementing our strategic plans for our businesses. If the development or implementation of such plans is not successful, we may not produce the revenue, margins, earnings or synergies that we need to be successful and to offset the impact of adverse economic conditions that may exist currently or develop in the future. We may also face delays or difficulties in implementing process and system improvements, which could adversely affect our ability to successfully compete in our core markets. In addition, the costs associated with implementing such plans may exceed anticipated amounts and we may not have sufficient financial resources to fund all of the desired or necessary

investments required in connection with our plans, including one-time costs associated with our business consolidation and operating improvement plans.

The existing and future execution of our strategic and operating plans will, to some extent, also be dependent on external factors that we cannot control, such as legislative changes, systemic failures in our industry or the industry sectors of our clients and changes in fiscal and monetary policies. In addition, these strategic and operational plans need to be continually reassessed to meet the challenges and needs of our businesses in order for us to remain competitive. The failure to implement and execute our strategic and operating plans in a timely manner or at all or the failure to realize the cost savings or other benefits or improvements associated with such plans could have a material adverse effect on our business, results of operations or financial condition.

Pending and future tax audits within our Group and changes in fiscal regulations could lead to additional tax liabilities.

We are subject to routine tax audits by local tax authorities. Tax audits in Germany have been finalized for corporate income tax (*Körperschaftsteuer*), trade tax (*Gewerbesteuer*) and VAT (*Umsatzsteuer*) for financial years up to and including the year ended (i) December 31, 2003 for GFKL Holdco and PPS and (ii) December 31, 2006 in case of most other Group companies.

Ongoing tax audits, which comprise for most group companies the period up to and including the financial year ended December 31, 2009, tax audits for later periods not yet subject to a tax audit, or tax audits in other countries may lead to higher tax assessments in the future. For example, we operate a number of tax groups (*Organschaften*) in Germany and these tax structures may be challenged in future tax audits. Non-recognition of our tax groups by the German tax authorities could lead to additional tax liabilities.

In addition, we are exposed to potential tax risks related to acquisitions, disposals and reorganizations, if our position with regard to the tax consequences of the acquisitions, disposals and reorganizations is challenged in a tax audit. Any additional tax payments could have a material adverse effect on our margins and results of operations and financial condition. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities may also have a material adverse effect on our business.

Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.

Tax loss carry forwards and unused losses of the current financial year are forfeited in full if more than 50% of the subscribed capital, membership rights, participation rights or voting rights in the Issuer, BidCo, the Target or GFKL Holdco are transferred, directly or indirectly, to an acquirer or related parties of such acquirer (or a group of acquirers with common interests) within a period of five years or of comparable measures (the so-called “harmful acquisition”). As regards transfers of more than 25% and up to 50% under the same prerequisites, tax loss carry forwards and unused losses of the current financial year are forfeited on a pro rata basis. If and to the extent the tax loss carry forwards and unused losses of the current financial year are covered by the built-in gains of the loss-making company’s business assets that are subject to domestic taxation, a forfeiture of such items would generally not apply.

With respect to the acquisition of GFKL Holdco by the Target in 2009, we have applied for a binding tax ruling to confirm that the loss carry forwards will not be affected on the basis of the application of the so-called “restructuring exception” granted by the applicable tax laws. The ruling was granted in September 2009, but revoked in April 2011 on the basis of a decision of the European Commission. We have filed court rulings and appeals against, *inter alia,* the European Commission. Appeals and court rulings are still pending. We have made accruals for the taxes and interest relating to the appeals and court rulings, which amounted to €11.4 million for suspended taxes and €2.2 million for interest as of December 31, 2014. Any payments resulting from losing the court rulings and appeals could have a material adverse effect on our results of operation and financial position.

With respect to the acquisition of the Target by BidCo, we believe that tax loss carry forwards of the Target will be forfeited, but tax loss carry forwards of GFKL Holdco will be protected by the built-in gains clauses and thus remain available for offsets against future profits. If tax authorities and the tax court do not follow that position and thus claim for forfeiture of tax loss carry forwards, a deferred tax asset accrued for at GFKL HoldCo level with an amount of €7.6 million may be forfeited and thus such forfeiture may have a material adverse effect on our business, financial condition and results of operations.

Due to restrictions on the deduction of interest expenses under German tax laws, we may be unable to fully deduct interest expenses on our financial liabilities.

Interest payments on the Notes and on our other debt may not be fully deductible for tax purposes, which could adversely affect our financial results. Subject to certain prerequisites, the German interest barrier rules

(*Zinsschranke*) impose certain restrictions on the deductibility of interest for tax purposes. Since 2008, the German interest barrier rules in general have disallowed the deduction of net interest expenses exceeding 30% of the tax-adjusted EBITDA. For purposes of the interest barrier rules, all businesses belonging to the same tax group (*Organschaft*) for corporate income and trade tax purposes are treated as one single business. Such consolidation is, *inter alia*, relevant for the calculation of tax-adjusted EBITDA. There are certain exemptions from the restrictions of the German interest barrier rules allowing for a tax deduction of the entire annual interest expenses, which, however, may not be available in the case at hand. Any non-deductible amount of interest expenses exceeding the threshold of 30% is carried forward and may, subject to the interest barrier rules, be deductible in future fiscal years. In the past, the Target's interest expenses were not entirely deductible. The interest carry forward will be forfeited in full in connection with a change of the ownership structure (*i.e.*, the Acquisition) as described in the preceding risk factor "*—Due to the forfeiture of loss carry forwards under German tax laws, we may be unable to use loss carry forwards to set off future gains.*" Such forfeiture may have a material adverse effect on our business, financial condition and results of operations.

The VAT treatment of the purchase of non-performing loans performed by us may be challenged or changed resulting in additional cash out for VAT.

A substantial part of the business of GFKL Group is the purchase of portfolios of NPLs. GFKL Group collects the receivables for its own account, taking the risk of final payment default. Generally, the purchase price for the NPL is determined by estimating the value of collectable receivables ("**economic nominal value**")—which is less than the nominal value of the receivables—less the cost of debt collection and of pre-financing and discounted using an appropriate discount rate. In 2003, the European Court of Justice ("**ECJ**") decided that the purchase of receivables for a subsequent cash collection (factoring) is to be treated as a supply of a taxable service from the purchaser to the seller (C-305/01, MKG). The seller would be relieved from the collection of the receivables as well as from the risk of (final) payment default. The ECJ decision was also adopted by the German tax authorities for the purchases of NPL and is still in force (Section 2.4 para. 1 and para. 8 German VAT Guidelines, "**UStAE**"). On October 27, 2011, ECJ decided that acquisitions of NPL are not subject to VAT (C-93/10, GFKL). This court decision was adopted by the German Federal Tax Court ("**BFH**") in a decision dated January 26, 2012 (V R 18/08). The BFH decision also said that no input VAT could be claimed on costs incurred in connection with NPL acquisitions as well as on costs incurred in connection with the collection of the receivables, and referred back to the local Tax Court Düsseldorf. GFKL Group has since withdrawn its initial lawsuit. Consequently the cases are not binding on the GFKL Group. These court cases as well as another comparable case (BFH decision dated July 4, 2013 (V R 8/10)) have not been adopted by the German tax authorities yet. If applying the MKG ECJ-case, the purchaser of NPLs should account for VAT on the purchase of NPLs with a corresponding full input VAT deduction. In contrast, if applying the GFKL Group ECJ-case, the purchaser would not have to account for VAT, but would also not be entitled to deduct input VAT in context of the NPL-business.

In the period from the year ended December 31, 2004 to the year ended December 31, 2011, GFKL Group did not entirely treat the purchases of NPL as subject to VAT according to the MKG jurisprudence, *i.e.*, in some cases no VAT was collected and paid to the tax authorities. During that period, GFKL Group claimed full input VAT incurred from costs in the context of the acquisition and the collection of the NPLs. Due to the new case law an accrual for non-claimable input VAT for the year ended December 31, 2004 to the year ended December 31, 2011 (including interest) was recorded in the year ended December 31, 2011 amounting to €15.3 million. In the light of the BFH decisions GFKL Group discussed the VAT treatment with the tax authorities. As an outcome of those discussions, GFKL Group applied a lump-sum rate of 30% on the total input VAT amounts as being non-deductible for the period February 2012 through December 2012. Following a written statement (dated October 22, 2012) of the German Federal Ministry for Finance towards the Federal association of credits and servicing ("*Bundesvereinigung Kreditankauf und Service e.V.*" ("**BKS**")) stating that the tax authorities are going to apply the existing guidelines the 30% lump sum approach was used in December 2012 the last time. In total, input VAT amounting to approximately €3.6 million has not been claimed. Based on the statement of the German Federal Ministry of Finance towards BKS, the management of GFKL Holdco assumes that it can rely on the official guidance of the German tax authorities still being in place, *i.e.*, that the purchase of NPL still qualifies as a VAT-taxable service allowing for deduction of input VAT up to a new regulation. Management and its consultants expect the new guidance to be issued in the second quarter of 2015. A draft of the new guidelines, which includes a provision that would enable the previous guidance from the German tax authorities to remain in effect for the applicable historical periods, became available in May 2015; a final version has not been released.

From 2013 onwards, GFKL Group taxed the purchase of NPL and deducted full input VAT in context with the NPL business. Further, in the annual VAT return for the year ended December 2012, GFKL Group adopted this treatment as outlined in the statement of the German Federal Ministry of Finance and increased the VAT liability by €0.2 million. In turn, the input VAT receivable for the year ended December 31, 2012 was increased

by €3.6 million in the 2014 Audited Consolidated Financial Statements. The annual VAT return for the year ended December 31, 2012 has not yet been assessed by the tax authorities.

In 2014, GFKL Holdco has booked an accrual for additional VAT for the period from the year ended December 31, 2004 to the year ended December 31, 2012 (and not anymore for non-claimable input VAT, see above) of €7.3 million plus interest of €2.7 million. The calculation of this accrual has been aligned with the tax auditors. The receivable of €3.4 million (*i.e.*, €3.6 million input VAT, which was not claimed less €0.2 million additional VAT for the year ended December 31, 2012) has been netted with the VAT accrual, resulting in a net accrued amount of €6.5 million (including interest).

Any VAT payments could have a material adverse effect on our margins and results of operations and financial condition. In addition, changes in fiscal regulations or the interpretation of tax laws (especially, the expected ruling of the tax authorities) by the courts or the tax authorities may also have a material adverse effect on our business.

We may not have the resources to meet our additional financial and other reporting requirements or implement effective internal controls.

We will be required after the issuance of the Notes to provide annual and quarterly reports within specified time frames in accordance with the Indenture. The additional reporting obligations imposed under the Notes may strain our resources in our portfolio pricing, finance and accounting departments. Any future growth of our business may also require the expansion of our procedures for monitoring internal accounting functions, continued compliance with our reporting obligations and may eventually require us to develop new functions in our reporting systems.

Meeting these financial reporting obligations, as well as the procurement of qualified staff and additional resources, may result in the diversion of our senior management's time and attention from our day-to-day operations, as well as require additional financial resources. If we do not adequately manage the growing demands on our internal accounting or finance systems, we may be unable to comply with our financial reporting obligations or implement effective internal controls, which could result in a default under the Indenture or a restatement of our financial statements. The occurrence of any such event may have a material and adverse effect on our financial condition, financial returns and results of operations.

Failure to register under the Investment Company Act may result in a material adverse effect on the Issuer.

The Issuer has not been and will not be registered with the SEC as an investment company pursuant to the Investment Company Act. in reliance on the exemption from registration provided by Section 3(c)(7) of the Investment Company Act. No action positions are available for non-U.S. obligors (a) whose outstanding securities owned by U.S. persons are owned exclusively by Qualified Purchasers and (b) which do not make a public offering of their securities in the United States. Accordingly, investors in the Notes will not be accorded the protections of the Investment Company Act. Counsel for the Issuer will opine, in connection with the sale of the Notes, that the Issuer is not at such time an investment company required to be registered under the Investment Company Act (assuming, for the purposes of such opinion, the accuracy and completeness of all representations and warranties made or deemed to be made by investors in the Notes). No opinion or no-action position has been requested of the SEC.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but has failed, to register in violation of the Investment Company Act, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors could sue the Issuer and recover any damages caused by the violation of the registration requirement of the Investment Company Act; and (iii) any contract to which the Issuer is party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, there would be a material adverse effect on the Issuer.

If the Issuer determines that a purchaser of the Notes that is a U.S. person was not a Qualified Purchaser at the time of its acquisition of the Notes, the Issuer will have the right, at its option, to require such person to dispose of its Notes to a person or entity that is qualified to hold the Notes immediately upon receipt of a notice from the Issuer that the relevant Purchaser was not a Qualified Purchaser.

Risks Related to the Transactions

The Acquisition is subject to uncertainties and risks.

On May 17, 2015, BidCo entered into the Acquisition Agreement with the Seller to acquire all of the shares in the Target. Under German law, it is generally not possible to confirm title to shares in a limited liability company (*Gesellschaft mit beschränkter Haftung*) such as the Target with absolute certainty. Except in limited circumstances, there is no *bona fide* transfer of title to shares in a limited liability company. Therefore, if the Seller did not hold valid title in the sole issued share of the Target, BidCo did not acquire title. While the Acquisition Agreement contains customary representations of the Seller as to its title to the sole issued share of the Target and title to the shares of the Target's subsidiaries, we cannot assure you that the Seller held unrestricted title to the sole issued share sold under the Acquisition Agreement and that the Target (directly or indirectly) holds unrestricted title to the shares that it owns in all of its subsidiaries. Given the Acquisition Agreement does not provide for any material security for claims of BidCo against the Seller, we may not be able to recover damages from the Seller in case of a defect of title. There can be no assurances regarding the financial condition of the Seller in the future, in particular given the Seller is a holding company which may be liquidated.

Furthermore, we currently expect to take certain steps to amend our group structure following the Completion Date, including the Squeeze-Out, the German Company Conversion and certain permitted reorganization transactions, such as potential successive mergers of the Target into BidCo and BidCo into GFKL Holdco. See "*Summary—Corporate Structure and Certain Financing Arrangements*" and "*The Transactions.*" The Indenture will provide that we must use our commercially reasonable efforts to complete the Squeeze-Out within 18 months of the Completion Date and that we use our commercially reasonable efforts to complete the German Company Conversion within three months of the date of the Squeeze-Out. However, we may be unable to finalize the Squeeze-Out or the German Company Conversion within the expected time frame, which would not result in a default under the Indenture. As the credit support package for the Notes will not be fully effective until the German Company Conversion is complete, any delays in the restructuring process may have a material adverse impact on the value of your investment in the Notes. See "*Risk Factors—Risks Related to Our Structure and the Financing—The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuer.*" Additionally, as the Indenture will contain no firm undertaking to complete the mergers described above, we may decide to make different changes to our group structure which are permitted under the terms of the Indenture, the Revolving Credit Facility Agreement and the Intercreditor Agreement or no change at all. There can be no assurance that such alternative reorganization steps will improve the efficiency of our corporate structure or be favorable to you as a noteholder.

We may not be able to enforce claims with respect to the representations and warranties that the Seller has provided to us under the Acquisition Agreement.

In connection with the Acquisition, the Seller has given certain customary representations and warranties related to their shares, the GFKL Group and the business of the GFKL Group under the Acquisition Agreement. There can be no assurance that we will be able to enforce any claims against the Seller relating to breaches of such representations and warranties. The Seller's liability with respect to breaches of its representations and warranties under the Acquisition Agreement is limited. Moreover, even if we ultimately succeed in recovering any amounts from the Seller or our insurance provider, we may temporarily be required to bear these losses ourselves.

The GFKL Group and the Target may have liabilities that are not known to the Issuer.

The GFKL Group and the Target were acquired with certain liabilities, including certain pension liabilities and certain tax liabilities. There may be liabilities that we failed or were unable to discover in the course of performing due diligence investigations into the GFKL Group. Any such undiscovered liabilities of the GFKL Group and the Target, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations. In addition, such liabilities may not be recoverable against the representations and warranties given by the Seller under the Acquisition Agreement. As we integrate the GFKL Group and the Target, we may learn additional information about the GFKL Group and the Target that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws.

We may experience delay in finalizing the Squeeze-Out.

As of the Completion Date, minority shareholders held approximately 2.05% of the share capital of GFKL Holdco. See "*The Transactions*." This, together with the fact that GFKL Holdco is a stock corporation (*Aktiengesellschaft*), imposes significant limits on the ability of GFKL Holdco to upstream cash to its

shareholders, including to the Issuer for purposes of servicing interest on the Notes. See "*Risk Factors—Risks Related to Our Structure and the Financing—The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuer*."

While we have undertaken to use our commercially reasonable efforts to complete the Squeeze-Out within 18 months of the Completion Date to turn GFKL Holdco into a wholly owned subsidiary of the Group (as described in further detail in "*The Transactions*"), legal challenges of squeeze-out procedures are common in Germany and there can be no assurance that all challenges to the Squeeze-Out by the minority shareholders of GFKL Holdco will be resolved within that period. The Indenture will not include a firm undertaking to complete the Squeeze-Out or the German Company Conversion and any failure to do so will not be a default under the Indenture. An inability to finalize the Squeeze-Out promptly could have an adverse impact on our ability to service the debt of the Issuer and BidCo, including the Notes, and could impede our ability to maximize efficiencies through tax consolidation of all German entities of the Group.

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 Note Guarantees.

We are highly leveraged. As of March 31, 2015, on a *pro forma* basis after giving effect to the Transactions and the application of the proceeds therefrom, we would have total financial indebtedness of €372.8 million, including indebtedness under the Notes and pursuant to securitization arrangements outstanding on the Completion Date. See "*Capitalization*."

The degree to which we are leveraged could have important consequences to 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;
- making us vulnerable to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund new debt portfolio purchases, working capital, capital expenditures, 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 as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

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

Despite our substantial leverage, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.

The terms of the Indenture will permit the Issuer and its restricted subsidiaries to incur substantial indebtedness, including in respect of committed borrowings of up to €60.0 million under the Revolving Credit Facility (which may be further increased by the greater of an additional €25.0 million and 7.9% of the Group's 84-month ERC), potential issuances of senior notes by Holdco that may be guaranteed by the Issuer and its Restricted Subsidiaries or additional Notes by the Issuer. We may incur substantial additional debt in the future, including in connection with acquisitions, some of which may rank *pari passu* with the Notes and the Note Guarantees, be structurally senior to the Notes and the Note Guarantees, or be secured by assets that do not form part of the Collateral for the Notes and the Note Guarantees. Any such additional indebtedness could also mature prior to the Notes. We may also enter into new qualified receivables financing programs, pursuant to which we would pledge receivables that do not form part of the Collateral, including at non-guarantor subsidiaries. Although the Revolving Credit Facility Agreement and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the Revolving Credit Facility Agreement does not, and the Indenture will not, prevent us from incurring obligations that do not

constitute indebtedness under those agreements. Furthermore, if we are able to designate some of our restricted subsidiaries under the Indenture as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the Indenture and engage in other activities in which Restricted Subsidiaries may not engage. See "*Description of the Notes*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*." If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase.

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

The Indenture will restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of such entity;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to such entity;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interest for the benefit of the holders of the Notes.

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

In addition, we are subject to the affirmative and negative covenants contained in the Revolving Credit Facility Agreement, which negative covenants are substantially similar to the covenants that will be included in the Indenture. In addition, the Revolving Credit Facility Agreement contains an affirmative obligation to complete the Structure Event within 21 months. A breach of any of those covenants or the occurrence of certain specified events will, subject to applicable cure periods and other limitations, result in an event of default under the Revolving Credit Facility Agreement. Upon the occurrence of any event of default under the Revolving Credit Facility Agreement, the Majority Lenders (being, subject to certain limitations, lenders under the Revolving Credit Facility Agreement whose commitments thereunder aggregate at least $66^{2}/_{3}$% of the total commitments thereunder) could, while such event of default remains unremedied or unwaived, cancel the availability of the Revolving Credit Facility Agreement and elect to declare all amounts outstanding under the Revolving Credit Facility Agreement, together with accrued interest, immediately due and payable. In addition, a default or event of default under the Revolving Credit Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. If our creditors, including the creditors under the Revolving Credit Facility Agreement, accelerate the payment of amounts owing to them under such other debt instruments, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any security interests granted to them to secure repayment of those amounts.

We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to meet our obligations under our indebtedness, which may not be successful.

We are highly leveraged and have significant debt service obligations. Our ability to make principal or interest payments when due on our indebtedness, including the Revolving Credit Facility and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors, many of which are beyond our control. See "*Risk Factors*." We expect to draw on our Revolving Credit Facility to make interest payments on the Notes until the

Structure Event is complete as we are limited in our ability to upstream cash before GFKL Holdco has been converted into the legal form of a *Gesellschaft mit beschränkter Haftung*, a German limited liability company.

Our Revolving Credit Facility will mature in 2021. The Notes will mature in 2022. See "*Description of Certain Financing Arrangements*" and "*Description of the Notes*." At the maturity of loans outstanding under the Revolving Credit Facility, the Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business obligations, activities or capital expenditures, sell assets, raise additional debt or equity financing in amounts that could be substantial, or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. We cannot guarantee that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would secure sufficient funds to meet our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants. The terms of existing or future debt instruments and the Indenture and the Revolving Credit Facility Agreement may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the terms of the Indenture and the Revolving Credit Facility Agreement, will restrict our ability to transfer or sell assets and the use of proceeds from any such disposal. We may not be able to carry out certain disposals or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

Drawings under the Revolving Credit Facility Agreement will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Drawings under the Revolving Credit Facility Agreement will, and future indebtedness that we may incur could, bear interest at floating rates of interest *per annum* equal to LIBOR (or in relation to advances in euro, EURIBOR), *as adjusted* periodically, plus a spread. These interest rates could rise significantly in the future. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

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

Recent developments in the eurozone have exacerbated the ongoing global economic crisis. Financial markets and the supply of credit may continue to be negatively impacted by ongoing fears surrounding the sovereign debts and/or fiscal deficits of several countries in Europe (primarily Greece, Ireland, Italy, Portugal and Spain), the possibility of further downgrading of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the overall stability of the euro and the sustainability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. Governments and regulators have implemented austerity programs and other remedial measures to respond to the eurozone debt crisis and stabilize the financial system, but the actual impact of such programs and measures are difficult to predict.

If the eurozone debt crisis is not resolved, it is possible that one or more countries may default on their debt obligations and/or cease using the euro and re-establish their own national currency or that the eurozone may collapse. If such an event were to occur, it is possible that there would be significant, extended and generalized market dislocation, which may have a material adverse effect on our business, results of operations and financial condition, especially as our operations are primarily in Europe. In addition, the departure of one or more countries from the eurozone may lead to the imposition of, *inter alia*, exchange rate control laws.

For example, an anti-austerity party won the parliamentary elections in Greece on January 25, 2015 and subsequently formed a government with another anti-austerity party. The recent break down of negotiations between the new Greek government and its creditors has led to the closure of Greek banks and the imposition of capital controls in Greece. These events have led to Greece's default under its national debt and could result in its exit from the eurozone, which could, in turn, undermine confidence in the overall stability of the euro. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, or, in extraordinary circumstances, the possible dissolution of the euro entirely.

Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations and for parties subject to other contractual provisions referencing the euro such as supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our trading environment and the value of the Notes, and could have adverse consequences for us with respect to our outstanding euro-denominated debt obligations, which could adversely affect our financial condition.

Furthermore, the Revolving Facility Credit Agreement contains, and the Indenture will contain, covenants restricting our and our subsidiaries' corporate activities. See "*—Risks Related to Our Financial Profile—We are subject to restrictive debt covenants that may limit our ability to finance future operations and capital needs and to pursue business opportunities and activities*." Certain of such covenants impose limitations based on euro amounts (*e.g.*, the amount of additional indebtedness we or our subsidiaries may incur). As such, if the euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

Risks Related to the Notes

Holders of the Notes will not control certain decisions regarding the Collateral and other distressed disposals.

The Notes and the Note Guarantees will be secured as from the Issue Date on a first-priority basis by the same Collateral securing the obligations under the Revolving Credit Facility Agreement and any outstanding hedging liabilities that are permitted to be secured by the same Collateral. In addition, under the terms of the Indenture, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a *pari passu* or on a super priority basis.

Pursuant to the Intercreditor Agreement, lenders under the Revolving Credit Facility Agreement, providers of certain additional super senior indebtedness, certain hedging obligations, the Security Agent, any receiver and certain creditor representatives are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale and all amounts received by the Security Agent pursuant to the turnover provisions of the Intercreditor Agreement in priority to the Notes. As such, in the event of a foreclosure of the Collateral or any other distressed disposal, you may not be able to recover on the Collateral if the aggregate of the then outstanding claims under super senior indebtedness are greater than or equal to the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor and all amounts received by the Security Agent pursuant to the turnover provisions of the Intercreditor Agreement will, after all obligations under super senior indebtedness have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes, any other obligations secured by the Collateral which are permitted to rank *pari passu* with the Notes and certain non-priority hedging obligations.

The Intercreditor Agreement provides that a common Security Agent, who also serves as the security agent for the lenders under the Revolving Credit Facility Agreement, the hedging obligations which are permitted by the Indenture to be secured on the Collateral, and any additional debt secured by the Collateral permitted to be incurred by the Indenture, will act only as provided for in the Intercreditor Agreement and the Security Documents. The Intercreditor Agreement regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group (as defined below under—"*Description of Certain Financing Arrangements—Intercreditor Agreement*") that comprises (i) creditors holding in aggregate more than $66^{2}/_{3}$% of the aggregate commitments under the Revolving Credit Facility, the aggregate commitments under any super senior Credit Facility and the aggregate of hedging exposures under certain priority hedging obligations (the "**Majority Super Senior Creditors**") and (ii) creditors holding in aggregate more than 50% of the outstanding principal amount of the Notes and the outstanding principal amount of any indebtedness ranking *pari passu* with the Notes (the "**Majority Senior Secured Creditors**") (in each case, except for any hedge counterparties, acting through their respective creditor representative). If, however, before the discharge of all super senior obligations, the Security Agent has received conflicting enforcement instructions from the creditor representatives (and for these purposes, silence is deemed to be a conflicting instruction) then, to the extent the instructions from the Majority Senior Secured Creditors (to the extent given) comply with the initial consultation requirements and the security enforcement principles set forth in the Intercreditor Agreement (one of which states that the primary and overriding objective of an enforcement of security over

the Collateral is the maximization, so far as is consistent with prompt and expeditious realization of value, of recoveries by the Super Senior Creditors and the Senior Secured Creditors (each as defined below under—"*Description of Certain Financing Arrangements—Intercreditor Agreement*")), the Security Agent will comply with the instructions from the Majority Senior Secured Creditors, *provided* that if the super senior liabilities have not been fully discharged within six months, or no enforcement action has occurred within three months of the date on which the first such enforcement instructions were issued, then the instructions of the Majority Super Senior Creditors will prevail. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Notes, your voting interest in an instructing group will be diluted commensurately with the amount of indebtedness we incur.

The lenders under our super senior indebtedness may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of the Issuer or any of its holding companies (in the case of any future grant of share security at such levels) or subsidiaries as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Note Guarantees against, and the liens over any other assets of, such entities and any subsidiaries of such entity securing the Notes and Note Guarantees may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security—Release of Liens.*"

Certain collateral will not initially secure the Notes.

On the Issue Date, a limited security package will be provided by Holdco, the Issuer and BidCo. Within 60 days following the Completion Date, if the Target Merger has not become effective within such time period, the Target will grant security in the share capital of GFKL Holdco that it holds and in certain intragroup receivables. If the Target Merger has become effective by the date falling 5 business days prior to the end of the 60-day period following the Completion Date, BidCo will grant security in the share capital of GFKL Holdco that it holds within such period; and if the Target Merger becomes effective in the period of five business days falling immediately before the end of such time period, such security shall be granted within five business days after the date falling 60 days after the Completion Date. If the Target Merger has not been duly filed by September 30, 2015, BidCo will grant security in the share capital of the Target within five business days of September 30, 2015, provided that if the merger application is duly filed by September, 30 2015 but thereafter rejected, and the Target Merger has not become effective on or before November 30, 2015, BidCo will grant security over its shares in the Target within five business days of November 30, 2015.

As of the Issue Date, none of GFKL Holdco or any of its subsidiaries will grant security interests in the Collateral or issue Note Guarantees. The GFKL Group Collateral is only required to be granted if the Structure Event occurs. Under German corporate law, the Executive Board of GFKL Holdco may not be compelled by the shareholders of GFKL Holdco to require GFKL Holdco and its subsidiaries to grant security and issue the Note Guarantees. Furthermore, as an *Aktiengesellschaft*, a stock corporation under German law, GFKL Holdco is currently legally restricted in its ability to grant security and issue Note Guarantees particularly if the loans and proceeds primarily serve the purpose of (directly or indirectly) purchasing its own shares. Before the German Company Conversion any such grant of security or issuance of Note Guarantees would be limited in value to the amount on-lent by the Issuer to GFKL Holdco or its subsidiaries, which we expect in this instance to be €93.3 million. The conversion process normally takes up to three months to complete and is subject to registration in the commercial register. However, in this instance, the German Company Conversion can only be initiated once the ordinary shares of GFKL Holdco held by the minority shareholders of GFKL Holdco have been acquired by the majority shareholder of GFKL Holdco in the Squeeze-Out. As a result, if the Executive Board of GFKL Holdco refuses to provide for GFKL Holdco and its subsidiaries to grant Security and issue the Note Guarantees before the Structure Event, the Notes will not be secured and guaranteed by GFKL Holdco or any of its subsidiaries until after the Structure Event, if any. The Issuer has undertaken to use its commercially reasonable efforts to complete the Structure Event within 21 months after the Completion Date. However, the failure to complete the Structure Event or provide the Subsidiary Guarantees and GFKL Group Collateral to the extent the Structure Event does not occur will not be a default under the Indenture.

There can be no assurance that we will be successful in procuring such liens within the time periods specified and the execution of the Post Completion Date Collateral and the GFKL Group Collateral will be subject to certain agreed security principles that could relieve certain Guarantors or other subsidiaries of the obligation to grant security interests in intragroup receivables or share capital otherwise expected to form part of the Collateral, which could have a material adverse impact on the credit support available to you in connection with your investment in the Notes.

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

The Notes and the Note Guarantees will be secured by security interests in the Collateral described in this Offering Memorandum, which Collateral also secures the obligations under the Revolving Credit Facility Agreement and certain hedging obligations. Upon a refinancing of the Revolving Credit Facility Agreement, or if the lenders under the Revolving Credit Facility Agreement consent to an increase of the commitments under the Revolving Credit Facility Agreement, or if we exercise our right to incur additional priority hedging arrangements, the amount that will benefit from super-senior interests in the Collateral may be increased, subject to the limits imposed under the Indenture. The Collateral may also secure additional debt ranking *pari passu* with the Notes (including non-priority hedging arrangements) to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may therefore be diluted by any increase in the super-priority debt secured by the Collateral or a reduction of the Collateral securing the Notes.

The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which our operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in our liquidation. In addition, the share pledges over the shares of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. Furthermore, certain of our contracts include a change of control clause, which may be triggered by the enforcement of Collateral and may limit the value of the Collateral. The Collateral is located in Germany and Luxembourg and the multi-jurisdictional nature of any foreclosure on the Collateral may limit the realizable value of the Collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

The granting of the security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods, i.e., the periods of time following the granting of security interests during which such security interests may be challenged in accordance with the laws applicable in certain jurisdictions.

The granting of security interests to secure the Notes and the Note Guarantees may create hardening periods for such security interests in certain jurisdictions (subject, for Luxembourg, to the provisions of the Financial Collateral Law 2005 (as defined below)—please see "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*"). The granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods, in particular as the Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances, including in connection with the incurrence of future indebtedness, the transfer of Collateral within the Group and the implementation of certain corporate reorganizations. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. In addition, if the GFKL Group Collateral is granted only following the completion of the Structure Event, the hardening period on such pledge could start 21 months (plus 10 business days) after the Completion Date, or possibly later. In each case, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. Please see "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

The same rights also apply following the issuance of the Notes in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of noteholders. Please see "*Description of the Notes—Security*."

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

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture and the Intercreditor 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 and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely

satisfaction of perfection requirements, statutory liens or characterization under the laws of certain jurisdictions.

The security interests granted in favor of the Security Agent will be subject to practical problems generally associated with the realization of security interests in Collateral in certain jurisdictions. For example, under Luxembourg law, the enforcement of share pledges, whether by means of a sale or an appropriation, is subject to certain specific requirements. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. 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 sale of, or foreclosure on, such assets. Accordingly, the Security Agent may not have the ability to sell or foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, the Issuer and the Guarantors will have control over certain of the Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes.

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

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Note Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indenture will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral.

The granting of security interests in favor of a foreign security agent (acting for and on behalf of third-party beneficiaries) will be recognized under Luxembourg law, (i) to the extent that the designation of such security agent is valid under the law governing its appointment and (ii) subject to possible restrictions depending on the type of the security interests granted. Generally, according to article 2(4) of the Luxembourg Act dated August 5, 2005, as amended, concerning financial collateral arrangements (the "**Financial Collateral Law 2005**"), a security interest which constitutes financial collateral (in accordance with the provisions of the Financial Collateral Law 2005) may be provided in favor of a person acting for and on behalf of the beneficiary(ies) of such security interest(s), a fiduciary or a trustee in order to secure the claims of third-party beneficiaries, whether present or future, *provided* that these third-party beneficiaries are determined or may be determined. Without prejudice to their obligations *vis-à-vis* third-party beneficiaries of the security, persons acting on behalf of beneficiaries of the security interest(s), the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security interest(s) provided under the Financial Collateral Law 2005.

The interests of our principal shareholder may conflict with the interests of the holders of Notes.

The interests of our principal shareholder may, in certain circumstances, conflict with your interests as a holder of Notes. Permira Funds and its affiliates indirectly control the Issuer. As a result, it has, and will continue to have, indirectly the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. Our principal shareholder may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, will enhance its equity investments, although such transactions might involve risks to you as a holder of Notes. For example, our principal shareholder could vote to cause us to incur additional indebtedness, to sell certain material assets or pay dividends, in each case so long as the Indenture so permits. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate sales, each of which could adversely affect you as a holder of Notes. In addition, our principal shareholder may, in the future, own businesses that directly compete with ours or do business with us.

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

The Notes and the Note Guarantees have not been registered under, and we are not obliged to register the Notes or the Note Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. The Issuer has not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. No sale, assignment, participation, pledge or transfer of the

Notes may be effected if, among other things, it would require the Issuer or any of its officers or directors to register under, or otherwise be subject to the provisions of, the Investment Company Act or any other similar legislation or regulatory action. See "*Transfer Restrictions*." We have not agreed to or otherwise undertaken to register the Notes or the Note Guarantees, and do not have any intention to do so.

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

Unless and until the Notes are in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Citibank, N.A., London Branch, as Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

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

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 will be made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will become 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, as applicable, from the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes, as applicable, in the secondary market.

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

The Volcker Rule may negatively affect the liquidity and the value of the Notes.

The Volcker Rule generally prohibits certain banking entities (including certain of the Initial Purchasers and their affiliates) from engaging in proprietary trading or from acquiring or retaining an ownership interest in, or sponsoring or having certain relationships with, certain private funds (referred to as "covered funds"), subject to certain exclusions and exemptions. The Volcker Rule became effective on July 21, 2012, and the relevant U.S. federal agencies adopted final regulations to implement the Volcker Rule on December 10, 2013. The Federal Reserve issued an order giving banking entities until July 21, 2015 to bring any existing activities and investments into full conformance, subject to up to two one-year extensions granted at the discretion of the Federal Reserve upon a consideration of a variety of factors, including a determination that an extension would not be detrimental to the public interest. On December 18, 2014, the Federal Reserve granted a one-year extension of the conformance period for legacy covered fund interests (*i.e.*, those acquired on or before December 31, 2013), and announced its intention to grant a further one-year extension until July 21, 2017. Only covered fund interests in place as of December 31, 2013 would be eligible for such additional conformance period extensions. Banking entities are required to develop and implement a conformance plan to terminate prohibited activities and divest impermissible investments by the end of the conformance period.

The Volcker Rule includes as a "covered fund" any entity that would be an investment company but for the exemptions provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. Therefore, as the Issuer is relying on Section 3(c)(7) as an exemption to the Investment Company Act, the Issuer is considered to be a covered fund. As a result, banking entities that are subject to the Volcker Rule may be prohibited from, among other things, acquiring or retaining an "ownership interest" in the Issuer as a covered fund unless it is able to rely on an applicable exclusion or exemption.

If the Issuer does not qualify for an exclusion or exemption to the Volcker Rule, there would be limitations on the ability of banking entities to purchase or retain the Notes as they may be deemed to be "ownership interests" for purposes of the Volcker Rule. Depending on market conditions, this could significantly and negatively affect the liquidity and market value of the Notes. Thus, it is important that, although the Volcker Rule provides limited exclusions and exemptions to its prohibitions, each investor in the Notes must make its own determination as to whether it is a covered banking entity or otherwise subject to the Volcker Rule, whether any exclusion or exemption might be applicable to an investment in the Notes by such investor, whether its investment in the Notes would or could in the future be restricted or prohibited under the Volcker Rule, whether any extension of the Volcker Rule conformance period would be applicable to such investor's investment in the Notes, and the potential impact of the Volcker Rule on its investment, any liquidity in connection therewith and on its portfolio generally. The Volcker Rule and interpretations thereunder are still uncertain, may restrict or discourage the acquisition of Notes by covered banking entities, and may adversely affect the liquidity of the Notes. Investors in the Notes are responsible for analyzing their own regulatory position and none of the Issuer, the Initial Purchasers, the Security Agent, the Trustee or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes regarding the treatment of the Issuer under the Volcker Rule, or to such investor's investment in the Notes on the Issue Date or at any time in the future.

Ownership in respect of the Notes will be in registered form.

In respect of the Notes a register (the "**Register**") is to be kept by the Registrar in which will be entered the names and addresses of the holders of the Notes and particulars of the Notes held by them and all transfers and redemptions of the Notes.

An additional register of the Notes will be kept by the Issuer, which is obliged by Luxembourg company law to maintain such register of the Notes at its registered office (the "**Issuer Register**"). Ownership in respect of shares (and by extension also debt securities, such as the Notes) which are issued by a Luxembourg company in registered form is, according to Luxembourg company law, established by the relevant registration (*inscription*) in the register thereof kept at the relevant Luxembourg company's registered office—here the Issuer Register. The Registrar will undertake pursuant to the Indenture to notify the Issuer forthwith of any changes made to the Register to enable it to update the Issuer Register. Accordingly, the registrations in the Register should, in principle, match the recordings in the Issuer Register. However, there may be a delay in updating the Issuer Register and discrepancies in recordings cannot be excluded.

The Description of the Notes contained herein provides that, in the case of inconsistencies between the Issuer Register and the Register, the Issuer Register shall prevail. See "*Description of the Notes—Principal, Maturity and Interest—Paying Agent and Registrar for the Notes*." It is generally held that the registrations made in the Issuer Register constitute a means to prove ownership in respect of the Notes. However, Luxembourg case

law seems to admit that such registrations in the Issuer Register is not a non-rebuttable presumption (*présomption irréfragable*) of title to the Notes and other forms of proof (such as the registrations made in the Register) could potentially also serve as a means to prove ownership. It can hence not be excluded that, in the case of discrepancies between the Register and the Issuer Register, a Luxembourg court could also take into account the Register and its content if the question of the ownership of the Notes is brought before it. Certificates representing the Notes in registered form may be issued but they do not confer title to the Notes. Such certificates would also, in principle, not be conclusive evidence to prove ownership in respect of the Notes.

Risks Related to Our Structure and the Financing

The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuer.

The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. As a result, the Issuer depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations. We intend to provide funds to the Issuer in order to meet the obligations on the Notes through a combination of dividends and interest payments on intercompany loans. The obligations under intercompany loans will be junior obligations and will be subordinated in right of payment to all existing and future senior and senior subordinated indebtedness of the Issuer, including obligations under, or guarantees of obligations under, the Revolving Credit Facility and the Notes.

The amounts of dividends and distributions available to the Issuer will depend on the profitability and cash flow of its subsidiaries and the ability of those subsidiaries to issue dividends under applicable law. The subsidiaries of the Issuer, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer to make payments in respect of their indebtedness, including the Notes and the Note Guarantees.

In particular, in Germany, stock corporations (*Aktiengesellschaft*) such as GFKL Holdco are subject to tight restrictions on distributions to shareholders. So long as minority shareholders continue to hold an interest in GFKL Holdco, upstream loans cannot be granted and dividend distributions are limited to the balance sheet profit (*Bilanzgewinn*) as presented in the applicable entity's unconsolidated audited financial statements. As of December 31, 2014, the balance sheet profit of GFKL Holdco in its unconsolidated financial statements prepared in accordance with the German Commercial Code amounted to €5.1 million. As a result, it may not be possible for GFKL Holdco to upstream sufficient cash to the Issuer to enable the Issuer to make interest payments under the Notes from the Issue Date until the completion of the Squeeze-Out, and any dividend to GFKL Holdco's direct parent will be subject to payment of a *pro rata* dividend to GFKL Holdco's minority shareholders.

Pending finalization of the Squeeze-Out, interest under the Notes is expected to be serviced principally through drawings under the Revolving Credit Facility, which will be upstreamed to the Issuer in the form of payments on the Proceeds Loan Agreement. However, we may not be able to draw on the Revolving Credit Facility when we need cash if we fail to meet required leverage thresholds or other financial or contractual requirements. In addition, we may not have sufficient capacity under the Revolving Credit Facility to service interest under the Notes, particularly if the Structure Event is delayed or does not occur.

While we have undertaken to use our commercially reasonable efforts to complete the Squeeze-Out within 18 months of the Completion Date, legal challenges of squeeze-out procedures are common in Germany and there can be no assurance that all challenges to the Squeeze-Out by the minority shareholders of GFKL Holdco will be resolved within that period. Our failure to comply with the expected timeline for the Squeeze-Out will not result in a default under the Indenture.

Furthermore, even once the Squeeze-Out is finalized, cash extraction potential out of GFKL Holdco, should it retain the form of a stock corporation (*Aktiengesellschaft*), would be limited to GFKL Holdco's annual net income plus any share premium. As of December 31, 2014, this amounted to €48 million. While we have undertaken to use our commercially reasonable efforts to complete the German Company Conversion within 21 months after the Completion Date, the Indenture does not include a firm undertaking to complete the Squeeze-Out or the German Company Conversion and any failure to do so will not be a default under the Indenture. Furthermore, while merging GFKL Holdco into BidCo (following the prior merger of BidCo into Target) could lower the restrictions on shareholder distributions, we can give no assurance that such merger will take place.

Additionally, various agreements governing our debt may restrict, and in some cases, may actually prevent the ability of the subsidiaries to move cash within their restricted group. Such restrictions include those created by the Revolving Credit Facility Agreement and the Intercreditor Agreement, which limits payments of principal on the Notes prior to their stated maturity. See "*Description of Certain Financing Arrangements—*

Revolving Credit Facility Agreement" and "*—Intercreditor Agreement*." Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments.

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

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

Under various circumstances, the Collateral securing the Notes and the Note Guarantees will be released automatically. See "*Description of the Notes—Security—Release of Liens.*"

Even though the holders of the Notes share in the Collateral securing the Notes with the lenders under the Revolving Credit Facility, the creditors under the Revolving Credit Facility Agreement will receive the proceeds of the enforcement of the Collateral in priority to the Noteholders and under certain circumstances, the creditors under the Revolving Credit Facility Agreement and certain of our hedging arrangements will control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree or disagree with those actions. See "*Risk Factors—Risks Related to the Notes—Holders of the Notes will not control certain decisions regarding the Collateral*" and "*Description of the Notes—Security—Enforcement of Security Interests.*"

Under various circumstances, the Note Guarantees will be released automatically, including sales to third parties and in connection with certain corporate reorganizations. In addition, the Note Guarantees and security interests will be subject to release upon a distressed disposal as contemplated under the Intercreditor Agreement. See "*Description of the Notes—The Note Guarantees—Releases.*"

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

Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Note Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and each Note Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-guarantor subsidiaries.

At the time the last of the Subsidiary Guarantors provides its Note Guarantee (which will be no later than 10 business days after the Structure Event, if any), the Subsidiary Guarantors will represent, subject to the Agreed Security Principles, at least 80% of (i) Consolidated EBITDA (as defined under "*Description of the Notes*") disregarding the EBITDA (as defined under "*Description of the Notes*") of any member of the Group that generates negative EBITDA) and (ii) the gross assets of the Group (excluding all intra-Group items).

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

Under certain applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests. In addition, certain applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified. Absent perfection, the Security Agent, on behalf of the holders of the Notes, may have difficulty enforcing or be entirely unable to enforce rights in the Collateral in competition with third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral. See "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Luxembourg*."

See "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Germany.*"

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

Each Note Guarantee will provide the holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Issuer and the other Guarantors will secure the payment of the Notes by granting security under the relevant Security Documents. However, each security interest granted under a Security Document will be limited in scope to the value of the relevant assets expressed to be subject to that security interest and the Indenture will provide that each Note Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor, without rendering the relevant Note Guarantee/security interest voidable or otherwise ineffective under German, Luxembourg or other applicable law or without resulting in a breach of any applicable law, and enforcement of each Note Guarantee/Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, guarantees and security interests can be challenged (by the bankruptcy receiver or trustee, in case of bankruptcy of the relevant Guarantor, or by any of the creditors of such Guarantor outside bankruptcy), and a court could declare unenforceable against third parties (including the beneficiaries thereof) and/or void, any legal act performed by a Guarantor (including, without limitation, the granting by it of the Note Guarantees or the security interests granted under the Security Documents, see "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*") and, if payment had already been made under a Note Guarantee or enforcement proceeds applied under a Security Document, require that the recipient (and possibly, subsequent transferees thereof) return the payment to the relevant Guarantor, if the court found, *inter alia*, that:

- the amount paid or payable under the relevant Note Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;
- the relevant Note Guarantee or security interest under a Security Document was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant Note Guarantee or security interest;
- under Luxembourg law, the relevant act was performed (*e.g.* the Note Guarantees and/or the security interests under the Security Documents were granted) with the intention to defraud the creditors of, and prejudice their means of recovery against, the Guarantor, and where the recipient/beneficiary and the Guarantor were aware or should have been aware (at the time of performance of the legal act in question) that the granting by the Guarantor of the relevant Note Guarantee or security interests would prejudice the means of recovery of one or more (present or future) creditors of the Guarantor, unless the act was entered into without any consideration, in which case knowledge by the counterparty is not necessary for a challenge on grounds of fraudulent conveyance;
- the Guarantor did not receive fair consideration or reasonably equivalent value for granting the relevant Note Guarantee/security interests and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee/security interest; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee/Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; and/or
- the relevant Note Guarantees/Security Documents were held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor or security provider.

In particular, in Germany, there are significant restrictions on subsidiary guarantees for shareholder liabilities to the extent the proceeds under such liabilities are used to finance the acquisition of the subsidiaries or are not on-lent by the shareholder to such subsidiary guarantors.

Furthermore, the payment of dividends to the Issuer will reduce the distributable profits and reserves available to satisfy the obligations under the Note Guarantees and Security Documents. There can be no assurances that we will have distributable profits and reserves available to satisfy the obligations under the Note Guarantees and Security Documents, whether or not we pay dividends. In addition, the payment under the Note Guarantees and the enforcement of security interests under the relevant Security Documents may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions. See "*Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests*."

Enforcement of the Collateral across multiple jurisdictions may be difficult.

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

The insolvency laws of Germany, Luxembourg and other jurisdictions may not be as favorable to you as the US bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.

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

We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture.

Upon the occurrence of certain events constituting a "change of control," the Issuer would be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in the Revolving Credit Facility Agreement, the Indenture, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, acceleration of, or an obligation to mandatorily prepay the Revolving Credit Facility and 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. The ability of the Issuer to receive cash from its subsidiaries to allow it 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 (see "*—The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuer*."). If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer 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 Issuer 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 we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture which would, in turn, constitute a default under the Revolving Credit Facility Agreement and certain other indebtedness. See "*Description of the Notes—Change of Control*."

In certain circumstances, a Change of Control Offer will not be required to be made.

The change of control provision contained in the Indenture 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 Indenture. Except as described under "*Description of the Notes—Change of Control*," the

Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

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

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

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

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

The Issuer and each of the Guarantors and their respective subsidiaries are organized outside the United States, and our business is conducted entirely outside the United States. Following the Completion Date, we expect the directors, managers and/or executive officers of the Issuer and the Guarantors to be non-residents of the United States, and substantially all of their assets will be located outside the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under US securities laws, you may be unable to effect service of process within the United States on these directors, managers and executive officers. In addition, as substantially all of the assets of the Issuer and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the US courts against them. Moreover, in light of decisions of the U.S. Supreme Court, actions of the Issuer and the Guarantors may not be subject to the provisions of the federal securities laws of the United States. The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Germany and Luxembourg. There is, therefore, doubt as to the enforceability in Germany and Luxembourg of US securities laws in an action to enforce a US judgment in such jurisdictions. In addition, the enforcement in Germany and Luxembourg of any judgment obtained in a US court, whether or not predicated solely upon US federal securities laws, will be subject to certain conditions. There is also doubt that a court in Germany or Luxembourg would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdictions on the basis of US securities laws violations. See "*Service of Process and Enforcement of Civil Liabilities*."

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

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

THE TRANSACTIONS

The Acquisition of the Target

On May 17, 2015, Garfunkel Holding GmbH, as purchaser ("**BidCo**"), and Advent Carl Luxembourg Finance S.à r.l., as seller (the "**Seller**"), entered into the Acquisition Agreement regarding the acquisition of the entire share capital of the Target (the "**Acquisition**"). The Target is the holder of the majority of shares in GFKL Holdco. Pursuant to the terms of the Acquisition Agreement, BidCo acquired the sole issued share of the Target, which was funded by the Senior Secured Bridge Facility together with an equity contribution from the Permira Funds (€261.5 million). The Acquisition closed on June 30, 2015.

Pursuant to the Acquisition Agreement, BidCo acquired the sole issued share of the Target for a maximum of €516,614,328 (the "**Purchase Price**") subject to certain purchase price adjustments. In case of delayed payments in respect of amounts due to be paid to the Seller under the Acquisition Agreement, BidCo is obliged to pay default interest (*Verzugszins*) as set forth in Section 288 German Civil Code (*Bürgerliches Gesetzbuch*) as from the respective due date until, but not including, the day of actual receipt of the respective payment. Additionally, in connection with the Acquisition, the Seller contributed the Shareholder Loan to the Target prior to the Completion Date as a contribution to the capital reserve account of the Target with no separate consideration being given pursuant to the Contribution Agreement. Following the contribution of the Shareholder Loan to the Target, the Shareholder Loan was fully cancelled as the Target became both the lender and borrower under the Shareholder Loan. Furthermore, the Seller is obliged to reimburse BidCo or the relevant Group company or companies, as the case may be, *inter alia*, for amounts of any dividends or similar payment, asset transfers or certain other transfers of value from the Group to the Seller that occurred prior to the Completion Date that were not permitted under the Acquisition Agreement, any repayment of the Shareholder Loan by the Target in excess of €31.0 million and certain payments to employees or directors or finding fee arrangements triggered as a result of the Acquisition.

On the Completion Date, €30.0 million of the Total Purchase Price was deposited into an escrow account (the "**SPA Escrowed Amounts**"). An early partial release of the SPA Escrowed Amounts to the Seller is subject to the official publication of a decree by the German Ministry of Finance (*Bundesministerium der Finanzen* or BMF) in the Federal Tax Gazette (*Bundessteuerblatt*) regarding the VAT treatment of the acquisition of non-performing loans substantially in the form of the draft decree regarding the VAT treatment of the acquisition of non-performing loans (reference number (GZ): IV D 2—S 7100/08/10010) distributed by the Federal Ministry of Finance as of May 5, 2015. The Seller is entitled to a release of the SPA Escrowed Amounts upon expiration of the earlier of (i) a ten-month period after the tax assessment underlying the respective claims becomes legally binding and March 31, 2020, but in no event earlier than six months following the Completion Date.

The Financing of the Acquisition

The Issuer is a public limited liability company (*société anonyme)* incorporated and existing under the laws of Luxembourg. The Issuer is the parent company of BidCo. BidCo is a limited liability company incorporated and existing under the laws of Germany. The Issuer is a wholly owned subsidiary of Holdco, a public limited liability company incorporated and existing under the laws of Luxembourg. Each of Holdco, the Issuer and BidCo were formed to facilitate the Acquisition.

The Issuer, Holdco and BidCo financed the Acquisition, repaid the Existing Credit Facility and cash collateralized certain guarantees of rental agreements and paid fees and expenses incurred in connection with the Acquisition with the Senior Secured Bridge Facility and an equity contribution from the Permira Funds.

The Notes

The Issuer is offering €365.0 million in aggregate principal amount of the Notes.

The proceeds from the Offering will be used, together with cash on hand, to fully repay amounts drawn under the Senior Secured Bridge Facility and to pay fees and expenses in connection with the Offering. See "*Use of Proceeds*."

The Revolving Credit Facility

On June 29, 2015, we entered into our new senior secured revolving credit facility in the amount of €60 million which was not utilized on the Completion Date. In addition, pursuant to the terms of the Revolving Credit Facility Agreement, the borrower may elect to request additional facilities either as a new facility or as additional tranches of an existing facility in the amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC (following the amendment of certain provisions of the Revolving Credit Facility Agreement to reflect the terms of the Indenture as further described below under *"Description of Certain Financing Arrangements—Revolving Credit Facility Agreement—Covenants*") (the "**Additional Facility**

Commitments”). The Issuer and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date and the availability period (each subject to parameters as set out in the Revolving Credit Facility Agreement). There are certain limitations (including as to maximum amount) on the ability to incur Additional Facility Commitments. See “*Description of Certain Financing Arrangements.*”

We refer to the Acquisition, the financing of the Acquisition, the repayment of existing debt and the Offering together as the “**Transactions**.” Please see “*Use of Proceeds,*” “*Description of Certain Financing Arrangements*” and “*Description of the Notes.*”

Repayment of Existing Credit Facility

On the Completion Date, a portion of the proceeds from the Senior Secured Bridge Facility was on-lent to GFKL Holdco so that GFKL Holdco, as borrower, could repay any amounts outstanding under the Existing Credit Facility and cash collateralize certain guarantees of rental agreements. The amount to repay the Existing Credit Facility and cash collateralize the guarantees was €93.3 million. In connection with the repayment of the Existing Credit Facility, GFKL Holdco terminated the Existing Credit Facility agreement pursuant to the terms therein.

Squeeze-Out and German Company Conversion

As part of the Acquisition, BidCo purchased loan shares, which had been loaned to the Target by a former member of our Executive Board under a securities loan agreement dated February 17, 2010. Taking into account the loan shares and the treasury shares held by GFKL Holdco, BidCo owns 97.95% of the voting rights in GFKL HoldCo.

The Issuer will use its commercially reasonable efforts to cause GFKL Holdco to take all steps required to complete a conversion of GFKL Holdco into a *Gesellschaft mit beschränkter Haftung*, a German limited liability company. This conversion is subject to registration within the commercial register. The conversion process normally takes up to three months to complete. However, this conversion can only be initiated once the remaining ordinary shares have been acquired from the minority shareholders. While we have undertaken to use our commercially reasonable efforts to complete the Squeeze-Out within 18 months of the Completion Date, legal challenges of squeeze-out procedures are common in Germany and there can be no assurance that all challenges to the Squeeze-Out by the minority shareholders of GFKL Holdco will be resolved within that period. The Indenture does not include a firm undertaking to complete the Squeeze-Out or the German Company Conversion and any failure to do so will not be a default under the Indenture.

USE OF PROCEEDS

We estimate that the gross proceeds of the Offering will be €365.0 million. The proceeds from the Offering, together with cash on hand, will be used to fully repay amounts drawn under the Senior Secured Bridge Facility and to pay fees and expenses in connection with the Offering. See "*Use of Proceeds*."

The following table illustrates the estimated sources and uses of funds relating to the Offering. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of the consummation of the Offering, depending on several factors, including differences in our estimate of fees.

Sources	(in € million)	Uses	(in € million)
Notes offered hereby	365.0	Repayment of the Senior Secured Bridge Facility[1]	365.0
Cash on hand	3.9	Transaction fees[2]	3.9
Total sources	**368.9**	**Total uses**	**368.9**

(1) Represents the full repayment of the principal amount of the Senior Secured Bridge Facility outstanding on the Issue Date.

(2) Represents estimated underwriting fees and commissions associated with the Offering.

CAPITALIZATION

The following table sets forth, in each case, the cash and cash equivalents and the capitalization (i) as of March 31, 2015 of the GFKL Group, on a historical consolidated basis, (ii) as of March 31, 2015 of the Issuer and its subsidiaries, as adjusted on a *pro forma* basis to give effect to the Acquisition, (iii) as of March 31, 2015 of the Issuer and its subsidiaries, as adjusted on a *pro forma* basis to give effect to the Acquisition, as further adjusted to give effect to the Offering and the application of the proceeds thereof and (iv) as of June 30, 2015 of the Issuer and its subsidiaries, as adjusted on a *pro forma* basis to give effect to the Acquisition and as further adjusted to give effect to the Offering and the application of the proceeds thereof.

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*" and the Consolidated Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since March 31, 2015.

	As of March 31, 2015			As of June 30, 2015
	Historical	**As adjusted[1]**	**As further adjusted[2]**	**As further adjusted[2]**
	in € million (unaudited)			
Cash and cash equivalents[3]	**45.5**	**64.4[5]**	**60.5[6]**	**54.7[7]**
thereof unrestricted cash[4]	13.8	32.7	28.8	33.6
thereof restricted cash[8]	31.7	31.7	31.7	21.1
Notes offered hereby	—	—	365.0	365.0
Senior Secured Bridge Facility	—	365.0	—	—
Revolving Credit Facility[9]	—	—	—	—
Existing Credit Facility[10]	86.3	—	—	—
Other financial debt[11]	7.8	7.8	7.8	4.2
Total financial indebtedness[12]	**94.1**	**372.8**	**372.8**	**369.2**
Equity (existing)[13]	14.3	—	—	—
New equity	—	261.5	261.5	261.5
Total capitalization	**108.4[14]**	**634.3**	**634.3**	**630.7**

(1) As adjusted to give *pro forma* effect to the Acquisition as if it had occurred on March 31, 2015.

(2) As further adjusted to give effect to the Offering and the use of proceeds therefrom, as described in "*Use of Proceeds*." The cash and cash equivalents figures as of June 30, 2015 are based on a liquidity report prepared by management and have not been audited or verified by our statutory auditors.

(3) The historical amount represents the carrying amount of cash and cash equivalents as shown in the Unaudited Condensed Consolidated Interim Financial Statements. Cash and cash equivalents at the time of the Offering may be different because of, among other reasons, current payments or indebtedness.

(4) The historical amount represents the carrying amount of cash and cash equivalents less the carrying amount of restricted cash as shown in the Unaudited Condensed Consolidated Interim Financial Statements. Unrestricted cash as of June 30, 2015 is based on a liquidity report prepared by management and has not been audited or verified by our statutory auditors.

(5) Represents €60.5 million cash and cash equivalents and an additional €3.9 million cash on hand, which will be used by BidCo to pay transaction fees related to the Offering.

(6) Cash and cash equivalents represents €31.7 million of restricted cash and €13.8 million of unrestricted cash at GFKL Holdco as of March 31, 2015, €0.6 million and €14.4 million of estimated cash and cash equivalents at the Target and BidCo, respectively, after giving effect to the Transactions, and includes estimated cash outflows of €29.7 million for fees and expenses related to the Acquisition and the financing thereof and €3.9 million of fees for the Offering.

(7) Cash and cash equivalents represents €21.1 million of restricted cash and €18.6 million of unrestricted cash at GFKL Holdco, €0.6 million and €14.4 million of estimated cash and cash equivalents at Target and BidCo, respectively, after giving effect to the Transactions, and includes estimated cash outflows of €29.7 million for fees and expenses related to the Acquisition and the financing thereof and €3.9 million of fees for the Offering. The cash and cash equivalents figures as of June 30, 2015 are based on a liquidity report prepared by management and have not been audited or verified by our statutory auditors.

(8) The historical amount represents the carrying amount of restricted cash as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

(9) Represents the €60.0 million senior secured revolving credit facility established under the Revolving Credit Facility Agreement which we expect to remain undrawn on the Issue Date. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*."

(10) Represents the sum of nominal amounts of non-current and current liabilities to banks. The sum of the respective carrying amounts equals €84.1 million as derived from the Unaudited Condensed Consolidated Interim Financial Statements. As of March 31, 2015 related amortized debt issuance costs were €2.2 million. As of June 30, 2015, we used €93.3 million of the proceeds from the Senior Secured Bridge Facility to repay the outstanding principal amount, and accrued but unpaid interest on the Existing Credit Facility (which also includes the cash collateralization of certain guarantees related to rental agreements).

(11) The historical amount represents the carrying amount of financial liabilities related to the Milla Securitization. As of June 30, 2015, debt related to the Milla Securitization was €4.2 million; this estimated preliminary figure has been prepared by management and has not been audited or verified by our statutory auditors.

(12) Total financial indebtedness excludes derivatives with negative fair values. As of March 31, 2015, the historical carrying amount of derivatives with negative fair values was €1.7 million.

(13) Represents the carrying amount of the equity of the Target in GFKL Holdco as of March 31, 2015.

(14) GFKL Holdco's total capitalization as of March 31, 2015 excludes certain shareholder funding from the Target, which as of the Completion Date was considered to be intragroup shareholder funding.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present the GFKL Group's summary financial information and should be read in conjunction with the Audited Consolidated Financial Statements, and the Unaudited Condensed Consolidated Interim Financial Statements, which are reproduced elsewhere in this Offering Memorandum and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y which issued an unqualified auditor's report thereon in each case. The Unaudited Condensed Consolidated Interim Financial Statements, which were prepared in accordance with IFRS on interim financial reporting, have not been audited. The information below is not necessarily indicative of the results of future operations.

*The Consolidated Financial Statements included in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement or other data included in such financial statements that may occur as a result of the purchase price allocation ("**PPA**") to be applied as a result of the Acquisition. The application of PPA adjustments could result in different carrying amounts for existing assets and liabilities and assets/liabilities we may add to our consolidated balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our consolidated financial statements could be materially different from the Consolidated Financial Statements included in this Offering Memorandum once the PPA adjustments have been made. The Issuer will account for the Acquisition using the acquisition method of accounting.*

The unaudited financial information for the twelve-month period ended March 31, 2015 included elsewhere in this Offering Memorandum is based on the Consolidated Financial Statements of GFKL Holdco and is calculated by taking the consolidated interim financial information for the three-month period ended March 31, 2015 derived from the Unaudited Condensed Consolidated Interim Financial Statements and its internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2014 derived from the 2014 Audited Consolidated Financial Statements and its internal accounting system and subtracting the consolidated interim financial information for the three-month period ended March 31, 2014 derived from the Unaudited Condensed Consolidated Interim Financial Statements and its internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

The financial information as of and for the year ended December 31, 2012, was adjusted in the 2013 Audited Consolidated Financial Statements due to the first-time application of IAS 19R (relating to the treatment of interest expense on pension obligations) and the retrospective presentation of discontinued operations in the income statement according to IFRS 5. See notes II.2, II.3, III.12 and IV.10 to the 2013 Audited Consolidated Financial Statements. Accordingly, the financial information presented in this Offering Memorandum as of and for the year ended December 31, 2012 was derived from the comparative financial information included in the 2013 Audited Consolidated Financial Statements.

Selected Consolidated Income Statement Information

	Financial Year			Three-Month Period ended March 31,		Twelve-Month Period ended March 31,
	2012	2013	2014	2014	2015	2015
	(in € million)					
				(unaudited)		(unaudited)
Revenue	157.0	190.4	243.8	55.5	62.6	250.9
Other operating income	9.0	11.1	16.1	1.2	1.9	16.7
Cost of purchased goods and services	—	—	0.8	0.0	0.3	1.0
Personnel expenses	43.4	44.0	45.2	11.1	11.7	45.8
Depreciation, amortization and impairment expense	4.0	3.9	6.3	0.9	1.0	6.4
Other operating expenses	125.3	134.6	163.8	34.5	39.7	168.9
Interest and similar income	0.9	2.6	0.5	0.2	0.3	0.6
Interest and similar expenses	14.7	14.8	16.0	3.7	2.2	14.5
Profit/loss from investments accounted for using the equity method	0.1	—	—	—	—	—
Earnings/(loss) before tax	**(20.4)**	**6.9**	**28.4**	**6.7**	**9.9**	**31.5**

	Financial Year			Three-Month Period ended March 31,		Twelve-Month Period ended March 31,
	2012	2013	2014	2014	2015	2015
	(in € million)					
				(unaudited)		(unaudited)
Income taxes/(income)	0.4	(7.5)	11.0	2.3	3.4	12.1
Profit/(loss) from continuing operations	**(20.8)**	**14.4**	**17.4**	**4.5**	**6.5**	**19.4**
Profit/(loss) from discontinued operations	(3.2)	(12.2)	(2.3)	0.0	0.0	(2.2)
Consolidated profit/(loss) for the period	**(24.0)**	**2.3**	**15.1**	**4.4**	**6.5**	**17.1**
Profit attributable to non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
Loss attributable to non-controlling interests	0.0	0.0	—	0.0	0.1	0.1
Profit/(loss) attributable to equity holders of the parent	**(24.0)**	**2.3**	**15.1**	**4.4**	**6.6**	**17.2**

Selected Consolidated Balance Sheet

	Financial Year			As of March 31,
	2012	2013	2014	2015
	(in € million)			
				(unaudited)
Assets				
Non-current assets				
Property, plant and equipment	2.6	2.4	3.8	3.7
Intangible assets	19.1	16.2	19.3	19.1
Goodwill	35.6	23.5	21.6	21.6
Non-performing loans and receivables acquired for settlement[(1)]	70.9	59.7	59.5	63.3
Other financial assets	2.6	0.1	8.4	11.1
Deferred tax assets	0.5	—	—	—
Non-current assets	**131.3**	**101.8**	**112.5**	**118.8**
Current assets				
Inventories	—	—	0.0	0.0
Non-performing loans and receivables acquired for settlement[(1)]	45.9	41.0	43.4	39.7
Trade and other receivables	13.5	10.1	10.8	11.8
Income tax refund claims	1.4	4.6	4.4	4.5
Other financial assets	21.6	12.6	12.9	12.8
Cash and cash equivalents	38.2	58.2	35.7	45.5
Current assets	**120.5**	**126.6**	**107.2**	**114.3**
Assets classified as held for sale	—	11.4	—	—
Total assets	**251.8**	**239.8**	**219.7**	**233.0**
Equity and Liabilities				
Equity attributable to equity holders of the parent	(9.0)	(6.6)	7.0	13.6
Non-controlling interests	(0.1)	(0.1)	0.8	0.7
Total Equity	**(9.0)**	**(6.7)**	**7.8**	**14.3**
Non-current liabilities				
Liabilities to banks	108.3	100.0	71.9	76.6
Derivatives with negative fair values	2.8	1.6	1.3	1.1
Other financial liabilities	32.7	30.8	32.7	31.1
Provisions	2.5	1.0	0.6	0.6

	Financial Year			As of March 31,
	2012	2013	2014	2015
	(in € million) (unaudited)			
Provisions for pensions	4.4	4.6	5.3	5.3
Deferred tax liabilities	4.8	5.1	10.7	12.6
Non-current liabilities	**155.4**	**143.1**	**122.5**	**127.3**
Current liabilities				
Liabilities to banks	14.0	10.0	7.5	7.5
Derivatives with negative fair values	1.2	0.4	0.6	0.6
Trade payables and other liabilities	12.8	8.5	9.5	9.3
Other financial liabilities	33.1	41.5	42.5	45.1
Income tax provisions	18.4	14.2	17.6	17.6
Provisions	25.8	24.1	11.7	11.3
Current liabilities	**105.4**	**98.8**	**89.4**	**91.4**
Liabilities classified as held for sale	0.0	4.7	—	—
Total Liabilities	**260.8**	**246.5**	**211.9**	**218.8**
Total equity and liabilities	**251.8**	**239.8**	**219.7**	**233.0**

(1) Sum of current and non-current non-performing loans and receivables required for settlement	**116.8**	**100.7**	**102.8**	**103.0**

Selected Cash Flow Statement Information

	Financial Year			Three-Month Period ended March 31,		Twelve-Month Period ended March 31,
	2012	2013	2014	2014	2015	2015
	(in € million)			(unaudited)		(unaudited)
Cash flow from operating activities	18.3	53.3	36.9	11.2	18.1	43.8
Cash flow from investing activities	(14.5)	(22.1)	(29.7)	(6.6)	(7.5)	(30.6)
Cash flow from financing activities	(24.2)	(9.3)	(31.6)	12.8	(0.7)	(45.1)
Change in cash and cash equivalents	(20.4)	21.9	(24.3)	17.4	9.8	(31.9)
Cash and cash equivalents at the end of the period	38.2	60.1	35.7	77.4	45.5	45.5
Thereof restricted cash[1]	20.3	19.8	24.4	22.6	31.7	31.7

(1) Restricted cash corresponds to payment transfer obligations that existed as of the respective balance sheet dates.

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

The following discussion and analysis of financial condition and results of operations are based on the GFKL Group's summary financial information and should be read in conjunction with the Audited Consolidated Financial Statements, and the Unaudited Condensed Consolidated Interim Financial Statements, which are reproduced elsewhere in this Offering Memorandum. The Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y which issued an unqualified auditor's report thereon in each case. The Unaudited Condensed Consolidated Interim Financial Statements, which were prepared in accordance with IFRS on interim financial reporting, have not been audited. The information below is not necessarily indicative of the results of future operations.

*The Consolidated Financial Statements included in this Offering Memorandum have not been adjusted to reflect the impact of any changes to the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement or other data included in such financial statements that may occur as a result of the purchase price allocation ("**PPA**") to be applied as a result of the Acquisition. The application of PPA adjustments could result in different carrying amounts for existing assets and liabilities and assets/liabilities we may add to our consolidated balance sheet, which may include intangible assets such as goodwill, and different amortization and depreciation expenses. Our consolidated financial statements could be materially different from the Consolidated Financial Statements included in this Offering Memorandum once the PPA adjustments have been made. The Issuer will account for the Acquisition using the acquisition method of accounting.*

The unaudited financial information for the twelve-month period ended March 31, 2015 included elsewhere in this Offering Memorandum is based on the Consolidated Financial Statements of GFKL Holdco and is calculated by taking the consolidated interim financial information for the three-month period ended March 31, 2015 derived from the Unaudited Condensed Consolidated Interim Financial Statements and its internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2014 derived from the 2014 Audited Consolidated Financial Statements and its internal accounting system and subtracting the consolidated interim financial information for the three-month period ended March 31, 2014 derived from the Unaudited Condensed Consolidated Interim Financial Statements and its internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

The financial information as of and for the year ended December 31, 2012, was adjusted in the 2013 Audited Consolidated Financial Statements due to the first-time application of IAS 19R (relating to the treatment of interest expense on pension obligations) and the retrospective presentation of discontinued operations in the income statement according to IFRS 5. See notes II.2, II.3, III.12 and IV.10 to the 2013 Audited Consolidated Financial Statements. Accordingly, the financial information presented in this Offering Memorandum as of and for the year ended December 31, 2012 was derived from the comparative financial information included in the 2013 Audited Consolidated Financial Statements.

We present below certain non-IFRS measures and ratios that are not required by or presented in accordance with IFRS, including Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA and certain leverage and coverage ratios, among others. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The non-IFRS measures are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies and Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA may differ from "Consolidated EBITDA" contained in the section "Description of the Notes" of this Offering Memorandum and the Indenture. The calculations for the non-IFRS measures are based on various assumptions. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of our financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See "Presentation of Financial and Other Information."

The historical data below is not necessarily indicative of results of future operations and should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected Historical Consolidated Financial Information," and our Unaudited Condensed Consolidated Interim Financial Statements, our Audited Consolidated Financial Statements and the notes thereto, which are included elsewhere in this Offering Memorandum.

Business Overview

We are the number one non-captive receivables management company and one of the top-four receivables management companies in Germany by 2013 revenue according to the Company Market Study. We specialize in third-party collections, debt purchase and the provision of value-added services for unsecured consumer debt. We provide debt collection services to, and acquire portfolios of overdue debt from, our clients, which are primarily corporate originators of consumer credit. We are a non-captive company, which means the debt which we are servicing stems from originators outside our Group. As of December 31, 2013, we held market-leading positions in the insurance and fitness sectors and top-five positions in the banking, retail, e-commerce, telecommunications and public sectors, as well as a top 10 position in the utilities sector in Germany measured by 2013 revenue. For the year ended December 31, 2014, we generated revenue of €243.8 million and Adjusted EBITDA of €66.5 million. For the twelve months ended March 31, 2015, we generated revenue of €250.9 million and Adjusted EBITDA of €72.6 million. For a discussion of how we define Adjusted EBITDA please see "*Presentation of Financial and Other Information*."

We provide our clients with a comprehensive approach to receivables management, including:

- *Third-Party Collection Services*. We provide debt collection and other receivables management services that are tailored to our clients' needs to help them improve cash flows from the recovery of outstanding balances from their debtors. Our offering covers all stages of the debt collection process, from amicable collections to litigation, enforcement and long-term monitoring. In addition, we provide our clients with a range of value-added services, including payment and risk management solutions, e-commerce solutions and data information services. These value-added services generally help us get involved earlier in the debt recovery process and ultimately build stronger relationships with our clients. They complement our core service offerings and differentiate us from competitors when it comes to new business opportunities. We also have a successful track record of carving out and acquiring our clients' existing in-house debt collection operations, including staff transfers, in exchange for multi-year collection agreements. For the twelve months ended March 31, 2015, 57% of our revenue was generated from our third-party collection services business, excluding lawyer service revenue and other services revenue (other services is shown as "other" in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the 2014 Audited Consolidated Financial Statements). Lawyer service revenue is excluded as we typically earn service revenue from lawyers only where we have engaged such lawyers to assist with our collection efforts, however, this revenue does not have a positive impact on our Reported EBITDA or net income as the fees we pay to the lawyer are higher than the related service revenue we earn.
- *Debt Purchase*. We acquire unsecured, non-performing and defaulted debt portfolios from our clients, generally at a discount to the principal value of the debt, except for a small amount of debt that we purchase at face value through our PayProtect service. We use a market-standard approach to pricing debt portfolios, which, together with our collection effectiveness, has enabled us to achieve actual collections on our purchased debt portfolios that have exceeded our projected recoveries. As of December 31, 2014, our Gross Collections since September 30, 2003 cumulatively exceeded the original forecast generated at the time of purchase by 21%. In our debt purchase business, we have been successful in engaging our clients in "forward flow agreements" in which we have agreed to purchase an amount of NPLs over a defined period of time at a pre-agreed price. As of December 31, 2014, 36% of our purchased portfolios were acquired in forward flow agreements, representing €106 million in debt purchased since September 30, 2003. Between September 30, 2003 and December 31, 2014, we have invested €296 million to acquire debt portfolios with an aggregate principal amount outstanding at the time of purchase (this amount may include accrued interest and fees at that time) of €3.2 billion. Over the same period, our Gross Collections were €610 million from our purchased portfolios, representing 2.1x our aggregate investment over more than 11 years, and had gross estimated remaining collections over a 180-month period of €452 million, generating a Gross Money Multiple of 3.6x on a cumulative basis. The Gross Money Multiple represents the total expected cash return from purchased debt portfolios, calculated as the sum of Gross Collections achieved from September 30, 2003 to December 31, 2014 and ERC divided by the purchase price. For the twelve months ended March 31, 2015, 43% of our revenue excluding lawyer service revenue and other services revenue was generated from our debt purchase business (other services revenue is shown as "other" in the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the 2014 Audited Consolidated Financial Statements).

We operate a balanced, diversified business model, which we believe enables us to allocate resources efficiently and opportunistically between our third-party collection services and debt purchase businesses in response to changing market conditions (such as limited availability of debt for purchase), and provides us

with substantial operational synergies. In particular, our debt collection clients are a significant source of origination for our debt purchase business and our debt purchase business benefits from the extensive expertise of our third-party collection services business to collect debt on our purchased portfolios. Our expertise in debt collection also enables us to price our purchased debt portfolios more effectively and maximize collections. Furthermore, the operation of both businesses and our diversification across various industries increases our ability to scale our business and supports the maintenance and expansion of our operating platform, analytical capabilities and skilled professional staff. For the twelve months ended March 31, 2015, our third-party collection services business generated 53% of its revenue from the insurance sector, with 12%, 11% and 7% derived from the telecommunications, banking and retail sectors, respectively. In the same period, our purchased debt business derived 31%, 25%, 11%, 9% and 7% of its revenue from the retail, financial services, telecommunications, fitness and insurance sectors, respectively. We boast a high visibility on our future revenue, underpinned by our long-term servicing contracts and sizeable number of portfolios of purchased debt. Out of the €243.8 million of revenue we generated in 2014, we estimate €210.1 million or, 86.1%, was realized through contractual arrangements in place as of January 1, 2014.

Several of our competitors operate as debt purchasers only, whereas others solely provide collection services. We believe our balanced business model is a competitive advantage over peers that operate only in one area. Our third-party collection services business, generally, does not require us to source capital financing or add risk to our balance sheet for defaulted debt (except for where we guarantee that we will successfully collect a certain percentage of the outstanding principal amount of claims), while our debt purchase business leverages our collection expertise and knowledge of debt portfolios to potentially earn higher margins and returns. We believe that our balanced business model and complementary revenue streams have contributed to our strong historical financial performance.

We provide creditors with a comprehensive overdue and defaulted debt services offering, thereby providing our clients with a holistic approach throughout the debt recovery process. We have long-standing relationships with a diversified client base, including more than 25 large, well-known companies and several thousand SMEs as well as other leading clients in the banking, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors.

In 2014, we won a number of new clients, of which 26 were large, well-known companies and more than a thousand were SME clients. In the first three months of 2015 alone, we won 16 large, well-known companies as new clients. Our top 10 clients across our two core business lines accounted for in aggregate 72% of our third-party collection services and debt purchase revenue for the year ended December 31, 2014, and approximately 91% of the face value of our purchased debt portfolios were acquired from repeat clients. A repeat client is a client, in our third-party collection services business, with whom we have had a contractual relationship for at least one year and, in our debt purchase business, with whom we have concluded a forward flow agreement. As of December 31, 2014, seven of our top ten existing clients, had been with us for at least three years. In addition, 74% of our revenue for the year ended December 31, 2014, was generated from clients (including former clients) with whom we had already established a relationship as of 2010. In the year ended December 31, 2014, we further formalized the strength of our client relationships by extending the average term of new contracts with large, well-known clients to 2.3 years, an increase from 1.7 years in 2013.

As of the date hereof, we operate exclusively in Germany, which is the largest consumer credit market in Europe according to the Company Market Study. The Company Market Study also estimates that as of December 31, 2013, Germany had approximately €310 billion of total unsecured consumer debt outstanding, including €9.5 billion of consumer defaulted debt. We believe Germany's recent economic improvements, including steady GDP growth, low unemployment rates and increasing net disposable income levels per capita in the years following the financial crisis of 2008-2009, together with a strong culture of repayment and creditor-friendly laws and regulations that encourage the settlement of defaulted debt, provide for a favorable environment for strong receivables management performance.

Further, we believe market conditions in Germany increasingly favor larger, more sophisticated receivables management companies, as smaller players in the debt collection market face increasing challenges, including limited access to funding for debt acquisition and high costs associated with the development and implementation of sophisticated IT systems required to comply with the latest regulatory demands in the receivables management industry. According to the Company Market Study, in 2014, "Tier I" debt collection companies with annual revenue of more than €100 million have outpaced broader market growth, growing at an annual rate of approximately 12% to 15% between 2011 and 2013. "Tier II" players, which comprise companies with annual revenue in the €10 million to €100 million range, have grown at a lower rate, with a representative sample of companies with annual revenue in the €30 million to €100 million range having grown at approximately 6% annually and a comparable sample of companies with annual revenue in the €10 million to €30 million range having grown at 1% annually. The Company Market Study estimates that the overall outsourced consumer NPL market is set to grow at approximately 4% per year in Germany over the

next five years. We expect this trend to continue, with increased growth opportunities for Tier I companies, primarily through organic growth as well as the acquisition of smaller competitors.

As a result of our favorable position in an attractive market and our leading practices and services, we have enjoyed a strong record of returns, growth and improved profitability. For example, from 2012 to 2014, our revenue and Adjusted EBITDA grew at a compound annual growth rate ("**CAGR**") of 24.6% and 17.5%, respectively.

As of December 31, 2014, we employed 801 full-time equivalent employees, representing 965 individual employees, operating in 12 locations throughout Germany (with one additional location added as of March 31, 2015), including our headquarters in Essen. Our receivables management teams, which consist of 698 FTEs as of December 31, 2014, are located at each of our major operating centers.

Illustrative Economics

- In our third-party collection services business, we manage overdue claims on behalf of our clients. As of December 31, 2014, we had €11.4 billion of third-party debt under management, which generated €86.6 million of revenue for the year ended December 31, 2014;
- In our debt purchase business, we acquire portfolios of defaulted debt from clients, typically at a discount to the outstanding principal value. The principal value at the time of purchase of our purchased debt acquired between September 30, 2003 and December 31, 2014 amounted to €3.2 billion. The purchase price totaled €296 million or 9% of principal value on average for debt purchased between September 30, 2003 and December 31, 2014. Based on our Gross Collections as of December 31, 2014 and ERC projections, we expect to collect 3.6x the purchase price over the next 15 years on the portfolios that we owned as of December 31, 2014.

The following table provides an overview of our business model and illustrative economics as of and for the year ended December 31, 2014.

	Third-Party Collection Services	Debt Purchase
Business Model	**Activity:** Manage portfolio of overdue claims on behalf of clients. **Objective:** Maximize cash flows for clients through a variety of collection techniques.	**Activity:** Acquire portfolios of overdue claims from clients at a discount to the outstanding principal and manage such claims. **Objective:** Maximize cash flows and return on investment by using a variety of collection techniques.
Key Economics as of and for the year ended December 31, 2014, respectively	Third-Party Debt under Management .... €11.4 billion Collections .... €262 million Revenue .... €86.6 million Revenue as a Percentage of Collections 33%	Principal Value of Purchased Debt[1] .... €3.2 billion Total Price Paid as % of Principal Value .... 9.0% Portfolio Purchase Price .... €296 million Gross Collections .... €610 million ERC .... €452 million Gross Money Multiple[2] .... 3.6x IRR (net of direct costs)[3] .... 32% Years to Break Even (gross basis) .... <2.0

	Third-Party Collection Services: For the year ended December 31,			Debt Purchase: For the year ended December 31,		
	2012	2013	2014	2012	2013	2014
Revenue[4]	€66.2 million	€77.1 million	€86.6 million	€51.3 million	€61.4 million	€67.6 million

(1) Principal value of purchased debt is calculated as the principal amount that may include accrued interest and fees at the time of purchase of debt portfolios since 2003.

(2) Total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved from September 30, 2003 through December 31, 2014 and ERC divided by purchase price.

(3) IRR (net of direct costs) is calculated as the unlevered rate of return based on rebased collections (actual collections plus ERC) to 180 months net of cost to collect. Cost to collect means the direct costs related to the collection activities on purchased debt portfolios, such as staff expenses of employees allocated to collection activities on purchased debt portfolios, credit bureau data costs and legal costs associated with collections.

(4) Excludes revenue from lawyer services and other services (other services revenue shown as "other" in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the 2014 Audited Consolidated Financial Statements). The revenue from lawyer services was €39.5 million, €51.9 million and €87.9 million in 2012, 2013 and 2014, respectively. As we typically earn service revenue from lawyers only where we have engaged such lawyers to assist with our collection efforts, the service revenue from lawyers does not have a positive impact on our Reported EBITDA or net income as the fees we pay to the lawyer are higher than the related service

revenue we earn. The revenue from other services was €0.0 million, €0.0 million and €1.7 million in 2012, 2013 and 2014, respectively.

Cash Generation and Conversion

The table below sets forth the percentage of our Adjusted EBITDA that is converted into "Normalized cash flow from operating activities before interest and income tax payments" for the periods indicated below.

For the year ended December 31, 2014 and the twelve months ended March 31, 2015, 89.2% and 97.0% of our Adjusted EBITDA was converted to Normalized cash flows from operating activities before interest and income tax payments, respectively.

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31,
	2012	2013	2014	2014	2015	2015
	(€ million) (unaudited)					
Pro Forma Normalized EBITDA	**18.7**	**30.4**	**42.6**	**11.6**	**12.8**	**43.8**
Amortization of purchased debt[1]	35.9	39.5	43.1	10.9	11.4	43.6
Proceeds from the sale of a secured portfolio[2]	—	—	—	—	3.9	3.9
Direct write-downs[3]	—	—	0.6	0.0	0.4	1.1
Revaluation of purchased debt excluding direct write-downs[4]	(3.8)	(7.4)	(19.8)	(5.2)	(5.2)	(19.8)
Revaluation effects[5]	(2.6)	0.1	(0.0)	(0.0)	0.0	0.0
Adjusted EBITDA	**48.2**	**62.6**	**66.5**	**17.4**	**23.3**	**72.6**
Cash flow from operating activities[6]	**18.3**	**53.3**	**36.9**	**11.2**	**18.1**	**43.8**
Interest paid/interest received, net[7]	6.5	7.5	11.1	1.5	1.5	11.0
Income tax payments/(reimbursements)[8]	2.7	0.1	0.3	(0.7)	1.4	2.4
Changes in restricted cash balances[9]	(0.7)	0.6	(4.6)	(2.8)	(7.4)	(9.1)
Operating cash flow from discontinued operations[10]	0.3	(14.1)	0.2	0.4	—	(0.2)
Change in balances from guaranteed collections[11]	1.4	3.7	8.8	1.1	3.6	11.3
Proceeds from the sale of a secured portfolio[2]	—	—	—	—	3.9	3.9
Cash effective EBITDA normalizations[12]	11.5	10.4	6.6	0.3	0.8	7.1
Normalized cash flow from operating activities before interest and income tax payments	**40.0**	**61.4**	**59.3**	**11.0**	**21.9**	**70.2**
Cash conversion[13]	*83.0 %*	*98.5 %*	*89.2 %*	*63.0 %*	*93.8 %*	*97.0 %*

(1) Amortization of purchased debt is the difference between collections and revenue recognized in the consolidated income statement as income from acquired portfolios, which includes service cost revenue and investment income. While the amortization of purchased debt portfolios is recognized on our consolidated balance sheet, it is also cash effective. Amortization of purchased debt does not include any amortizations reflected in the depreciation, amortization and impairment expense line-item in our consolidated income statement. It is shown in the notes to our Consolidated Financial Statements as repayment of non-performing loans and receivables acquired for settlement. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios—Recognition of Revenue from Purchased Debt*." The amortization shown above for the year ended December 31, 2012, which was €35.9 million, was comprised of €38.2 million of amortized purchased debt as reflected in the notes to the 2013 Audited Consolidated Financial Statements, less the amortization of the purchased debt portfolios of our collection business in Spain.

(2) Following our strategic repositioning of PPS and our decision to discontinue its debt purchase business with large property-secured NPL portfolios, we disposed of one of the remaining assets out of this property-secured NPL portfolio in February 2015 and have realized proceeds (including the extinguishment of existing liabilities) of €4.6 million upon this disposal. A provision of €0.6 million has been recorded to cover contingencies from this disposal. A significant part of the proceeds equivalent to the NPL carrying amount (€3.9 million) has been part of the cash flow from investing activities in our Unaudited Condensed Consolidated Interim Financial Statements and we have added this amount to the amortization of acquired debt portfolios, which is where it would have been recognized had the assets remained in our portfolio and had we received the expected collections thereon, to reflect the entire effect from this transaction in Adjusted EBITDA.

(3) Represents the direct write-downs in connection with PayProtect for the year ended December 31, 2014 and is shown in the notes to our Consolidated Financial Statements as direct write-downs of non-performing loans and receivables acquired for settlement.

(4) Revaluation of purchased debt is shown in the notes to our Consolidated Financial Statements as changes of non-performing loans and receivables acquired for settlement from measurement at fair value. Following the initial recognition of a purchased debt portfolio at its purchase price, the carrying amount of a purchased debt portfolio is rolled forward each month and decreased by the calculated portfolio amortization. As the purchased debt portfolios are recognized at fair value, their value can be revalued, either positively or negatively. The determination of whether a purchased debt portfolio's carrying amount should be revalued to reflect its current fair value is typically made at the end of each fiscal year. However, an intra-year revaluation may be triggered when current collections over the most recent three months deviate from forecast collections by more than 15%. Changes in the fair value of a debt portfolio are recorded in the consolidated income statement. These changes are not cash effective. See "*Management's Discussion and Analysis of Financial Condition and Result of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios—Revaluation of Purchased Debt Portfolios*."

(5) Revaluation of purchased debt excluding direct write-downs includes impairments of real estate secured loans of €2.6 million in 2012 and a write-up of real estate secured loans of €0.1 million in 2012.

(6) Cash flow from operating activities as shown in our Consolidated Financial Statements has been impacted by various factors that make an analysis of the true historical cash generation profile difficult. These factors include (i) interest paid and interest received, (ii) income tax payments, (iii) changes in restricted cash balances, (iv) the impact of discontinued operations, (v) changes in our capitalized balances from guaranteed collections, and (vi) the effect of cash-relevant EBITDA normalization items. We have adjusted for these items in the lines below to establish our "Normalized cash flow from operating activities before interest and income tax payments."

(7) The net cash outflow for interest paid and the net cash inflow for interest received, each shown in the notes to the Consolidated Financial Statements is part of our cash flow from operating activities. We have added back these amounts to show our operating cash generation irrespective of our financing structure.

(8) The net cash outflow from income tax payments and the net cash inflow from income tax reimbursements as shown in the notes to the Consolidated Financial Statements is part of our cash flow from operating activities. We have added back these amounts to show our operating cash generation irrespective of our tax status and tax structure.

(9) Our cash flow from operating activities reflects the changes in restricted cash balances relating to our third party debt collection business. In order to show the cash generation for our own operations, we have eliminated the change in restricted cash balances measured by comparing the restricted cash balances at the respective year end.

(10) Our cash flow from operating activities has been affected by our discontinued operations, particularly the Multigestión Group. In order to show the cash generation for our continuing operations only, we have eliminated the effects of discontinued operations on our cash flow from operating activities. Our adjustment in the year ended December 31, 2013 (elimination of €14.1 million) excludes the cash inflow from the liquidation of one of the Spanish entities, which we started in this year.

(11) Following the acquisition of GCG in the year ended December 31, 2012, we have continuously expanded our third party debt collection business with GCG's major client (and previous shareholder). The contractual arrangements with this client foresee collection guarantees and related upfront payments to the client for part of the serviced debt, which are capitalized and subsequently amortized in the line item collections received. Based on the investment-type nature of these capitalized amounts and the fact that the serviced debt is typically acquired by the debt purchase business after a service period of 24 months, we have reclassified the change in balances from guaranteed collections to the cash flow from investing activities of our cash flow statement.

(12) We have analyzed our EBITDA adjustments for their cash-effectiveness on an item-by-item basis and have considered the identified cash-relevant effects in our "Normalized cash flow from operating activities before interest and income tax payments". The following cash effective EBITDA adjustments correspond to our adjustments in Normalized EBITDA and Pro Forma Normalized EBITDA, see "*Summary Consolidated Financial and Other Information—Other Financial and Operating Data—Footnote 5.*"

Our cash effective EBITDA adjustments for restructuring and relocation represent the focused program of organizational and legal restructuring measures we undertook, which had negative financial one-off effects on our cash flow from operating activities. Our cash outflows related to our relocation and were one-time removal costs in the year 2014, with an additional cash outflow realized in the three months ended March 31, 2015. Furthermore, severance payments have been made in relation to GFKL 2.0, which had certain cash-related impacts. In connection with the aforementioned restructuring, we also incurred one-time strategy consultancy and other advisory fees. Furthermore, the layoff of two Executive Board members led to additional severance payments.

Our cash effective EBITDA adjustments for projects represent the costs from several improvements and corporate development projects, including the alignment of the payment processing systems to the new SEPA requirements, the redesign of collection and calculation processes at our subsidiary DIG and the change of our Group's financial accounting and reporting infrastructure. In the year ended December 31, 2014, we also incurred costs for further integration of sub-ledger systems as well as cash outflows for further one-time projects, including the development and implementation of an office design project prior to our relocation in 2014. In addition, we had cash outflows in connection with the corporate integration of our acquisitions.

Our cash effective EBITDA adjustments for data analytics projects represent the cash outflows from a data analytics project that we initiated to improve cash-collection effectiveness, enhance process efficiency and increase precision in pricing. The cash effective normalization related to external consultancy costs to design and oversee the implementation of this project.

In 2012, we had certain cash outflows related to input VAT, which are described in more detail in "*Summary Consolidated Financial and Other Information—Other Financial and Operating Data—Footnote 5—note h.*"

Our cash effective EBITDA adjustments for refinancing represent refinancing-related costs, which have been normalized based on their non-operating nature. In 2012, these refinancing costs included a waiver fee and refinancing-related tax advisory fees.

Furthermore, we had cash effective EBITDA adjustments related to the sale of DHMF-Deutsche Handwerks und Mittelstands Finanz GmbH. In 2012, we adjusted the carrying amount of our cash investment in our at-equity consolidated entity DHMF-Deutsche Handwerks und Mittelstands Finanz GmbH in connection with its disposal. The realized sales price for the disposal was lower than our original cash investment, which was made during that same period. In 2013, we realized a gain from a retrospective selling price adjustment relating to the previously disposed subsidiary Universal Leasing GmbH.

Our cash effective EBITDA adjustments also included in the one-off cost related to SIR's settlement with a former debt servicer. In 2012, SIR incurred one-time costs (bad debt allowances and consultancy fees).

In addition, we had cash effective EBITDA adjustments related to the settlement with our joint venture partner, for which we received monthly payments of €30,000 starting from April 2013 to be paid over a 60-month period. The above-mentioned monthly payments in 2013 and 2014 as well as legal and consulting fees in connection with the aforementioned litigation and the disposal of shares have all been normalized. However, we also had cash outflows for legal and consultancy fees prior to our cash inflows.

We also made cash effective EBITDA adjustments related to our rental savings (net), which include the annual savings that resulted in connection with the relocation of our headquarters to a new location in the city of Essen, Germany in July 2014, which was partially offset by increased rent expenses incurred in connection with the establishment of our shared service center in Gelsenkirchen, Germany. To the extent not already reflected in the actual figures, these two effects have been retroactively applied to the historical periods.

(13) Defined as Normalized cash flow from operating activities before interest and income tax payments divided by Adjusted EBITDA.

Pro forma Normalized Cash Generation and Available Liquidity

The table below illustrates normalized cash generation after *pro forma* cash interest expense and *pro forma* tax expenses for the twelve months ended March 31, 2015. The following illustration is presented for information purposes only and does not reflect our historical or future cash generation. See "*Risk Factors*."

	For the twelve months ended March 31, 2015
	(€ million) (unaudited)
Adjusted EBITDA	**72.6**
Normalized cash flow from operating activities before interest and income tax payments	**70.2**
Acquisition/disposal of fixed assets[(1)]	(5.3)
Pro forma cash interest expense[(2)]	(28.6)
Pro forma tax expenses[(3)]	(10.1)
***Pro forma* available cash[(4)]**	26.2

(1) Represents the sum of cash outflows for acquisitions of property plant and equipment/intangible assets as well as cash received from the disposal of property plant and equipment/intangible assets.

(2) *Pro forma* cash interest expense reflects the interest expense in respect of the Notes, any commitment fees payable under our undrawn Revolving Credit Facility (we may draw on our Revolving Credit Facility to pay interest on the Notes if the German Company Conversion has not occurred on the first interest payment date of the Notes) and any interest under the Milla Securitization for the twelve-month period ended March 31, 2015 as if the Transactions had occurred on April 1, 2014, based on the coupon of the Notes. *Pro forma* cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. *Pro forma* 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 Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

(3) *Pro forma* tax expenses reflect an assumed tax expense based on our earnings before tax for the twelve months ended March 31, 2015 as if the Offering had occurred on April 1, 2014 and assuming a tax rate of 32.1%. *Pro forma* tax expenses have been presented for illustrative purposes only and do not purport to represent what our tax expenses would have actually been had the issue of the Notes occurred on the date assumed, nor purport to project our tax expenses for any future period or our financial condition at any future date.

(4) Represents the sum of normalized cash flow from operating activities before interest and income tax payments and acquisition/disposal of fixed assets, *pro forma* cash interest expense, and *pro forma* tax expense. *Pro forma* available cash has been presented for illustrative purposes only and does not purport to represent what our available cash would have actually been had the issue of the Notes occurred on the date assumed, nor purport to project our available cash for any future period or our financial condition at any future date.

Other pro forma liquidity information

	Pro forma adjusted for the Transactions as of March 31, 2015
	(€ million) (unaudited)
Undrawn Revolving Credit Facility[1]	60.0
Cash and cash equivalents[2]	28.8

(1) Represents the €60.0 million Revolving Credit Facility, which is expected to remain undrawn as of the Issue Date. Pursuant to the terms of the Revolving Credit Facility Agreement, a borrower may request to incur additional facilities under the Revolving Credit Facility Agreement in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC.

(2) Cash and cash equivalents represents *pro forma* cash and cash equivalents at the Issuer and its Restricted Subsidiaries at March 31, 2015, as adjusted for the Transactions as of the Issue Date. See "*Capitalization*." As of June 30, 2015, our adjusted cash and cash equivalents (excluding restricted cash of €21.1 million) was €33.6 million; this figure is based on a liquidity report prepared by management and has not been audited or verified by our statutory auditors.

Factors Affecting our Results of Operations

Our business and results of operations, as well as the key operating metrics discussed below, have been, and are expected to continue to be, affected by certain key factors including, in particular, level of debt and other overdue receivables available for third-party collection and for purchase, the price at which we purchase portfolios of debt and other overdue receivables, competition for portfolios and third-party collection contracts and pricing, gross collection levels, collection costs and operational efficiency, economic conditions and regulatory considerations. Each of these factors is discussed in more detail below.

Level of Consumer Debt and Other Overdue Receivables Available for Third-Party Collections and Purchase

Our results of operations are linked to the overall level of overdue consumer debt and other overdue receivables available for third-party collection and for purchase in Germany. The amount of addressable debt is therefore dependent on the following three key factors:

- *The overall level of outstanding unsecured consumer credit in the market*. Germany is the largest European economy and benefits from the largest consumer credit industry when measured by total outstanding consumer debt. In 2013, German consumers had approximately €310 billion of unsecured consumer credit outstanding, which the Company Market Study estimates is the largest unsecured consumer debt market in Europe. We anticipate that improving macroeconomic conditions in Germany will drive further growth of the amount of unsecured consumer credit outstanding.
- *Stable default rates*. Germany boasts a large flow of unsecured defaulted consumer debt being created each year, with approximately €9.5 billion created in 2013. Customer defaults are a structural component of consumer lending and certain volumes of defaults on consumer debt can be expected to occur throughout the credit cycle. As a result, originators typically manage their pricing to a target default level in accordance with such expectations. Further, default rates have been and are expected to remain broadly stable in Germany as a result of improved macroeconomic conditions such as growing GDP, low interest rates, decreasing unemployment rates and low inflation.
- *The increasing propensity of creditors to outsource their receivables management function*. Outsourcing receivables collections can be achieved through third-party collection contracts with, or the sale of defaulted debt portfolios to, specialized receivable management companies. Recently, the German market has benefited from a trend whereby more German corporations have sought to outsource their receivable management functions. According to the Company Market Study, in 2013, the level of unsecured defaulted consumer debt in Germany that was outsourced or sold to third parties was €4.8 billion, representing a 50% rate of outsourcing receivables management activities to third parties. We believe the trend to outsource the collection of outstanding debt and other receivables has been driven, in part, by corporations' desire to focus on core activities instead of non-core debt collection functions. Further, some sectors that have traditionally kept debt collection functions in-house, such as public utilities, are beginning to outsource their debt collection functions, as third-party debt collectors and purchasers tend to achieve greater collection levels. We believe we have significant opportunities to expand further, within both third-party collection services and debt purchases as we expect the trend for corporations to outsource their debt collection and receivables management functions to continue. There are strong potential benefits for creditors in further outsourcing their debt recovery activities, including but not limited to a higher recovery rate, a lower cost to achieve recoveries and the ability to focus on the originator's core business. See "*Industry and Market Data*."

Origination of New Business in Both Our Third-Party Collection Services and Debt Purchasing Businesses

Our ability to generate new business from our existing clients and procure new client contracts in both our third-party collection services and debt purchase businesses has been a key driver of our results of operations in the periods under review and will continue to be a key driver of our growth and profitability going forward.

We believe that maintaining high customer satisfaction has a direct impact on our number of long-term relationships and new business opportunities. Our strong client relationships are evidenced by the fact that we have worked with many of our key clients for three or more years. In addition, 74% of our revenue for the year ended December 31, 2014 was generated from clients with whom we had already established a relationship as of 2010. For the year ended December 31, 2014, our top ten clients across our two core businesses accounted for in aggregate 72% of our third-party collection and debt purchasing revenue (excluding revenue from lawyer service fees), and approximately 91% of the face value of our purchased debt portfolios was acquired from repeat clients. Our strong relationships with our clients is further evidenced by our contract retention. For example, 86% of the revenue that we generated from our third-party collection services and debt purchase business for the year ended December 31, 2014 was from clients which we had contracts with as of January 1, 2014. We believe these strong relationships with our clients have provided us with both a steady stream of repeat business and revenue visibility.

In addition to maintaining long-standing relationships with our clients, we have enjoyed a strong track record of gaining new business. Between January 1, 2013 and December 31, 2014 we achieved an increase of 45% in new business receivables under contract and our average fixed new business contract length for large, well-known clients increased from 1.7 to 2.3 years. We continue to attract new clients, especially large, well-known companies, adding 23 such companies in 2013, 26 in 2014 and 16 in the first three months of 2015.

Purchases of Debt Portfolios and Other Overdue Receivables at the Right Price

Our ability to purchase debt portfolios and other overdue receivables at the right price has been a key driver of our results of operations in the periods under review and will continue to be a key driver going forward. Purchased debt consists mainly of portfolios of debt and other overdue receivables purchased at prices at a discount to the face value except for the face value purchase that we make in connection with our PayProtect product. Before purchasing portfolios, we engage in a strict due diligence and valuation process to determine what price we should offer to the client, see *"Our Business—Debt Purchase—Pricing and Due Diligence."* We believe that since we purchased our first debt portfolio in 2003 we have improved our ability to effectively price and accurately predict future collections we realize on our purchased debt portfolios. Our cautious and diligent approach has, we believe, led to a significant financial outperformance of our existing portfolios since 2003. Our performance is dependent on our ability to purchase debt portfolios and other overdue receivables that meet our investment criteria, including prices that generate an appropriate return on purchased debt. After purchasing a portfolio, our performance is further dependent on our ability to generate collections at or in excess of our expectations for that portfolio.

As of December 31, 2014, we owned 198 unsecured debt portfolios containing 3.55 million accounts. Between September 30, 2003 and December 31, 2014, our Gross Collections on purchased portfolios represented more than double our total initial investments of €296 million. Our portfolios are expected to continue to yield predictable cash flows, with ERC as of December 31, 2014 of €452 million, resulting in expected Gross Money Multiple of 3.6x on portfolios purchased as of December 31, 2014. A substantial portion of our ERC is expected to be generated from older vintages of debt portfolios for which we have solid historical visibility on portfolio performance over time. Gross Collections on purchased debt increased from €86.7 million for the year ended December 31, 2013 to €91.6 million for the year ended December 31, 2014 despite a lower amount of debt portfolio purchases in 2014 (€27.8 million acquisitions of purchased debt portfolios) compared to 2013 (€30.3 million acquisitions of purchased debt portfolios including a purchase made in December 2012), demonstrating the strength of our collection techniques.

The table below presents information on the portfolios of unsecured debt and other overdue receivables that we purchased during the periods under review. In any period, we purchase portfolios of debt that can vary in age, size, type and ultimate collectability, which, together with the supply and demand dynamics in the market, results in period-to-period variation in average prices paid and face value purchased.

	For the year ended December 31,			Three months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
	(€ million, unless indicated)				
Acquisitions of purchased debt portfolios[(1)]	27.5	30.3	27.8	6.8	11.1
Face value of debt purchased during the period[(2)]	168.3	158.9	114.4	33.1	36.0
Total price paid as % of face value	16.4%	19.1%	24.3%	20.4%	30.8%

(1) Acquisitions of purchased debt portfolios represents the purchase prices at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and on the acquisition closing date, when we recognize the purchased debt on our consolidated balance sheet. The timing difference of €4.3 million relates to a portfolio for which the purchase price was recognized as a cash outflow in 2012, but that we present here as corresponding to the year ended December 31, 2013 as the acquisition closed at the end of December 2012 and we did not start onboarding the receivables until January 2013. Therefore the acquisition was not recognized on our consolidated balance sheet until 2013. Purchases of PayProtect debt are netted with the respective day-one impairments for the purpose of our purchased debt business in 2014 this impairment totaled €0.6 million. The figure for the year ended December 31, 2012 includes the impact of the GCG Acquisition of €15.1 million. In addition, cash inflows may be recognized before we recognize the cash outflow for the purchase price.

(2) Face value of the purchased debt acquired during the period relates to the nominal value of receivables excluding any accrued interest, fees and costs at the time of purchase.

(3) The average total price paid for our purchased debt portfolios per annum is generally not comparable on a year-to-year basis. This is due to the varying characteristics of the purchase debt portfolios, such as the type, size, quality, industry and maturity profile, each of which can have a direct impact on the pricing of such portfolios. For example, if in a given year, the acquisitions of the purchased debt primarily comprise debt portfolios of fresher claims with a higher probability to pay, then our average total price paid for purchased debt in that period may be higher than a prior or subsequent period, independent of any general market trends in overall pricing.

There are two principal models for purchasing portfolios of debt: spot sale agreements and forward flow agreements. In a spot sale, we agree to buy a portfolio of claims that we receive in one transaction upon payment. Spot sales are mostly conducted through auctions, especially in the banking sector. In a forward flow agreement, we agree to buy claims with predetermined characteristics at a pre-defined price or price range for a given volume from a client on an ongoing basis. In the period from September 30, 2003 to December 31, 2014, 36% of our portfolios were purchased in forward flow agreements, representing €106 million in purchased debt, while 64%, or €191 million, of portfolios were purchased in spot sales since September 30, 2003. We believe our ability to secure and renew forward flow agreements is a key driver of our performance as these increase client retention and thereby provide greater earnings visibility. Since 2008, more than 50% of our purchased debt was purchased under forward flow agreements and forward flow purchases have increased as a percentage of our total debt purchases since 2008.

Our ability to purchase portfolios is dependent on our internally generated funding resources and our access to financing at the time portfolios become available for purchase. Prior to the Acquisition, we funded our purchases of portfolios with cash generated from our operating activities, securitizations of purchased debt portfolios and borrowings under the Existing Credit Facility. Going forward, we expect to be able to finance our debt purchases primarily with cash generated from our operating activities, borrowings under our Revolving Credit Facility and potentially other sources of funding. We believe that we will be able to continue to have access to financing sources subject to market conditions. See "*—Liquidity and Capital Resources*" for additional information on the funding of our portfolio purchases and see "*—Economic Conditions*" for additional information on the effects of economic conditions on our business and results of operations.

Competition and Pricing

Competition and pricing levels in the markets in which we operate affect our ability to successfully and profitably purchase portfolios of debt and other overdue receivables and carry out our debt collection services. The German receivables management market is fragmented, consisting of many large corporates and smaller companies. Despite the fragmented nature of the market, there is significant concentration in revenue generation with only four firms representing 40% of the market by revenue, each of which generated revenue in excess of €100 million in 2013, according to the Company Market Study. According to that market study, the larger receivables management services providers in Germany, including GFKL, have outpaced market growth in the recent term, with revenue growth averaging between approximately 12-15% per annum compared to general market growth of approximately 4%. We believe the strong performance of the larger German receivables companies as compared to the rest of the market in terms of revenue growth has historically been driven by the ability to leverage economies-of-scale as competitive advantages as well as by organic and inorganic growth. These scale effects include being able to cover multiple sectors, acquire and retain well-known clients and pursue multiple growth opportunities. For example, GFKL's diversified, full-service platform provides a "one-stop-shop" receivables management solution for our clients, with a wide range of services throughout the debt collection value chain, including outsourced collection services, purchases of debt portfolios and other receivables management services.

In addition, we believe that our diversified business model increases our strategic flexibility, enabling us to allocate resources efficiently and opportunistically to our third-party collection services or debt purchase businesses in response to market conditions and portfolio pricing cycles. Similarly, our varied industry exposure allows us to allocate our focus and commercial efforts across the business sectors we service and, as a result, we are able to benefit from divergent trends and evolving pricing cycles. For example, for the twelve months ended March 31, 2015, our third-party collection services business generated approximately

53% of its revenue from the insurance sector, with 12%, 11% and 7% derived from the telecommunications, banking, and retail sectors, respectively. In the same period, our purchased debt business derived 31%, 25%, 11% 9% and 7% of its revenue from the retail, banking, telecommunications, fitness and insurance sectors, respectively. See "*Risk Factors—Risks Related to Our Business and Industry—We are active in competitive markets and may be unable to continue to successfully compete with businesses that may offer more attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have.*"

Gross Collection and Revenue Levels

We primarily generate revenue from: (i) fees and cost-reimbursements from our third-party collection services and (ii) income from collections received from debtors linked to claims in our purchased debt portfolios. The ability and willingness of a debtor to pay depends on several factors, such as his or her employment status, the availability of funds and asset ownership. We believe that our business benefits from the quality of the data that we can gather about a debtor's circumstances and the analysis that we perform on such data in order to confirm the debtor's employment status and/or his or her level of asset ownership. Such data and analytical capabilities help us assess the debtor's ability or willingness to pay and ultimately determine the best collection strategy for each individual. We believe that our business benefits from the bespoke nature of our collection process, whereby we tailor repayment plans to the individual situation of the relevant debtors.

Germany is a particularly attractive market for the management of defaulted debt, as receivables management companies are able to generate income from a combination of fees and interest that are charged to the debtor and fees charged to the creditor. In addition, in Germany, debt remains collectable for a longer period than many other jurisdictions, which provides additional collection opportunities. For example, creditors in Germany have a long enforcement period against debtors, as the statute of limitations for prosecuting debt claims is 30 years after obtaining an enforcement title. See "*Our Business—Legal Framework—Enforcement of Claims under German Law*."

Gross Collection Levels in our Third-Party Collection Services Business

The volume of receivables outsourced to us on behalf of third-party originators, and consequently our revenue from third-party collections is linked to our historical ability to collect on overdue debt and on our relationships with our third-party collection services clients, including our ability to demonstrate strong collection levels. Our revenue is generated both by the fees we receive from our clients as part of the successful recovery of defaulted debt, as well as the fees and additional interest we receive from debtors, including cost reimbursement, as prescribed by law. Our third-party collection services clients actively manage the outsourcing process. Depending on how well we perform, our clients may release more claims to us or, conversely, if we have performed poorly compared to our peer group, reduce the number of claims that we service. We offer flexible pricing arrangements to our third-party collection services clients that are tailored to the specific circumstances of the client and the relevant claims to be outsourced. We believe that the benefits of our effective claims collection strategy result in long-standing client relationships, evidenced by entering into master servicing agreements to provide collection services on the client's debt and other overdue receivables that we have not purchased.

For more information about our debt collection services, see "*—Key Operating Metrics for Debt Collection Services*."

Gross Collection Levels on Purchased Debt Portfolios and the Ability to Extract Value and Maintain Collection Levels on Purchased Debt Portfolios

Revenue generated from claims in our purchased debt portfolios is impacted by the gross collection levels (put-backs included in gross collection levels do not impact revenue) that we are able to achieve over time on the portfolios that we own. The ability to maintain high gross collection levels is affected by our ability to effectively price the debt portfolios during the bidding phase. In order to accurately price a debt portfolio and to understand the potential return on investment, we need to assess a range of data points from the debt portfolio, including, but not limited to, debtor information, receivables information and payment history. If we misinterpret any of the data that we analyze in connection with the diligence process, or any of the data proves to be faulty or otherwise incorrect, then an information asymmetry would result and our pricing for the debt portfolio may be incorrect. We have a strong track record in outperforming our initial collection forecasts on the portfolios we purchased. For example, between September 30, 2003, when we purchased our first debt portfolio, and December 31, 2014, we achieved Gross Collections of €610 million from these purchased portfolios and, as of December 31, 2014, these portfolios had an ERC of €452 million, generating a Gross Money Multiple of 3.6x on a cumulative basis. The Gross Money Multiple is the total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved to date and ERC

divided by purchase price. Furthermore, we believe that we are able to maximize our collection process by offering diversified, time efficient solutions to facilitate payments by debtors.

Collection Costs and Operational Efficiency

Implementing an effective and efficient debt collection strategy, at all stages of the collection life cycle is a key factor driving our revenue and operating expenses. Our debt collection process is standardized and highly automated, with the goal of maximizing the total amount collected over the life of the debt through amicable collections or through an enforcement judgment. We endeavor to foster payment solutions, such as bespoke repayment plans, that provide visibility on the cash collected and minimize default risk for debtors.

We believe access to data and intelligent collection solutions is a key factor driving successful debt recovery at efficient prices. We are harnessing our data and analytics as tools to determine the most efficient, effective and regulation-compliant way to collect debt from our debtors. For example, the ability to segment our accounts, using internally developed scorecards will allow us to locate those accounts which are most able and/or likely to pay and simultaneously will increase our collection rates and lower our costs.

We have systematically carried out projects that have had, and that we believe will continue to have, a positive effect on our operations. We have divested a number of non-core activities and smaller businesses during the periods under review, including our operations in Spain. In addition to making strategic divestitures, we have made strategic acquisitions to complement our collections processes, such as the acquisition of DMA in 2014, a data solution provider that sources information from more than 15 data information companies into one platform. The acquisition of DMA has afforded our data analytics team a competitive advantage by providing them a multi-sourcing data information tool, and we have improved our collection processes by implementing internal initiatives such as the GFKL Service Center, which is a centralized automated hub for managing mail and processing millions of incoming and outgoing letters annually.

Year-on-year and other period-on-period trends in our collection cost percentages are not necessarily indicative of our operational efficiency and the return on capital we can achieve on our acquired portfolios, as they are impacted by the varying characteristics of the portfolios we purchase in different years and differences in the timing of portfolio purchases during the year. Specifically, we believe that recent trends in our collection cost ratio have been driven by: (i) the characteristics of the purchased debt portfolio (*i.e.*, the industry or specific contractual arrangement of the debt); (ii) significant improvements in the operational efficiency of our collections team, primarily due to our implementation of a more automated and centralized debt collection function; (iii) changes in the volume of claims and other outstanding debt collected which can vary in any given period based on a number of factors outside of our control, such as the general macroeconomic condition in Germany; and (iv) recent statutory increase to legal fees, which has improved our revenues. See "*—Economic Conditions*."

Economic Conditions

During the periods under review, the German economy has remained relatively stable. However, a change in the economic and market conditions in Germany can have various effects on our operations. For example, adverse economic conditions and increased levels of unemployment may lead to higher default rates on outstanding debt, which may increase the amount of debt and other overdue receivables held by our debt collection clients, thereby potentially increasing the volume of claims outsourced to us for collection. Similarly, negative economic developments in turn may increase the stock of debt portfolios available for us to purchase and positively impact our prospects of purchasing debt portfolios with attractive returns. However, if adverse economic conditions materially reduce the ability of debtors to repay their debt, our revenue from both our third-party collection services and debt purchase businesses could decrease.

Improved economic conditions are likely to increase income available to German households, increasing debtors' ability to repay their debt, which will ultimately improve our overall collections. Positive economic conditions may also increase the underlying credit stock, driven by higher private consumption and continued low interest rates, in turn driving the amounts of consumer credit. Conversely, lower default rates on loans, could negatively impact the growth of the stock of debt portfolios available to be outsourced to us for collection or for us to purchase, which would negatively impact our revenue from both debt collection services and debt purchasing.

Should the economic environment affect creditors' preferences to either sell or outsource, we believe our diversified business model offers us the flexibility to follow the changing market trends by rebalancing our capacity towards either of our business units.

Regulatory Considerations

Our results of operations are affected by a number of laws and regulations in Germany. We are subject to regulatory and compliance requirements relating to labor, license requirements, consumer credit, debt

collection, default interest calculation, statutes of limitation, data protection, anti-corruption, tax and VAT, handling of client funds and other regulatory regimes. We have detailed policies and procedures in place that are designed to foster compliance with applicable law and to ensure that compliance issues, if any, are identified and appropriately elevated within the organization. Our policy regarding regulatory compliance defines, among other things, governing principles regarding identification of governing laws and regulations, delegation of compliance responsibilities, guidelines on education and competence, testing and documentation of regulatory compliance control measures.

In Germany, creditors have a long enforcement period against debtors as the statute of limitations to apply for and obtain enforcement title against debtors is generally three years and once obtained, the enforcement title is valid for 30 years. See "*Our Business—Legal Framework—Enforcement of Claims under German Law*." German law further regulates the fees that are charged by third-party debt collectors and third-party law firms engaged in the collection process. German law regulates whether, and how much, such fees may be passed on to the debtor for collection. Any new laws or regulations that may be adopted, as well as changes to existing laws or regulations, could constrain or prevent our ability to operate. See "*Regulation*" and "*Risk Factors—We are subject to German and EU regulations and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business*" and "*Our Business—Legal Framework*."

Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios

The following sections describe how our purchased debt portfolios are recognized at the time of purchase and subsequently in our consolidated balance sheet, and how the returns generated through debt collections on such purchased debt portfolios are reflected in our consolidated income statements. The measures we utilize to value and recognize revenue from our purchased debt portfolios are derived from a number of other measures that are not defined under IFRS and which involve a higher degree of judgment or complexity, including IRR and collections forecast, and these are areas where assumptions and estimates are significant to the consolidated financial statements. See "*Presentation of Financial and other Information—Non-IFRS Financial Measures.*"

Recognition of Purchased Debt Portfolios

Purchased debt consists mainly of portfolios of debt purchased at prices below the face value. In most cases, we own title to the debt portfolios that we purchase, but in some cases we only possess the right to collect upon the underlying debt. Our purchased debt is reported at fair value through profit and loss as "Non-performing loans and receivables acquired for settlement" on our consolidated balance sheet. Portfolios are initially recognized on our balance sheet at their acquisition cost, which typically corresponds to the purchase price paid by us and represents the present value of estimated future collections net of estimated servicing costs. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition of the purchased debt becomes effective and the acquisition closing date, when we recognize the purchased debt on our consolidated balance sheet. The balance sheet asset is then amortized based on the collections on the claims of the purchased debt. Further, the amount recognized on our balance sheet is affected by put-back claims and fair value changes which reflect primarily the actual over/under performance in the collection process as well as changes in estimated future collections.

The bids we submit for purchased debt are generally based on the estimated pricing collections forecast (including collection on unpaid interest, costs and fees), net of expected servicing costs, with both the collections forecast and expected servicing costs discounted at a target rate (internal rate of return or "**IRR**"). The pricing collections forecast is based on forecasted collection plans with a typical length of up to 120 months depending on the industry. GFKL uses information on the purchased debt provided by the applicable seller in the course of a due diligence process together with reference data from GFKL's other purchased debt and its data analytic teams to determine the collections forecast, expected servicing costs and the IRR. The average estimated service cost rate (i) depends on the characteristic of the purchased debt portfolio, (ii) reflects the level of debt collection activities already undertaken and (iii) includes an allocated amount for general expenses, including direct external costs, direct staff costs and an adequate portion of overhead. Average service cost rates range from 12% to 48% of the expected collections depending on the characteristics of the purchased debt portfolios. Similar to the estimated servicing costs, the IRR is initially set based on the characteristics of the purchased debt portfolio. IRR is generally set at a range between 8% and 40%. For example, during the course of 2014, we typically calculated our purchased debt with a Net IRR of approximately 12%. The actual IRR can change over the term of the portfolio due to fluctuations in interest rates in the capital markets. Changes to the actual IRR lead to additional monthly income or expenses which are ultimately reflected on our consolidated income statements.

In addition to one-time spot transactions, we also purchase portfolios under forward flow agreements which represent an obligation and/or an option to purchase debt from the same vendor in a series of spot transactions (typically on a monthly basis with a contractually agreed bandwidth of debt volume). Accounting for assets purchased under forward flow agreements is not different from spot transactions.

Following the initial recognition of the purchased debt portfolios at their purchase price, the purchased debt portfolios are subsequently measured at fair value through profit and loss using a market value-based model. For an illustrative example detailing how purchased debt portfolios are recognized in our consolidated balance sheet and further information regarding the revaluation of the purchased debt portfolio, see "—*Revaluation of Purchased Debt Portfolios*."

Recognition of Revenue from Purchased Debt

The recognition of collections in our debt purchase business can be split into three components, two of which are recognized as revenue in our consolidated income statements, with the remaining one affecting the consolidated balance sheet. Revenue in our consolidated income statement comprises the following items: service cost revenue and investment income.

- Service income is recorded on a monthly basis by multiplying an imputed, fixed estimated service cost ratio by the collections during the specified period for the purchased debt portfolio. The service cost rate reflects the level and scope of debt collection activities undertaken and typically differs for each portfolio depending on its characteristics such as the applicable debt origination industry, and an allocated amount for general expenses and overheads. Because the service cost revenue is tied to the amount of collections, service cost revenue is positively influenced by growing collections.
- Investment income represents a capital return on the investment in the purchased debt portfolio and is recorded on a monthly basis by multiplying the individual portfolio carrying amount (specifically the monthly opening balance) by the IRR designated at purchase (the weighted average IRR for our debt purchase business was 12.9% as of December 31, 2014).

The remaining component of collections relates to the amount of the purchased debt repaid, which amortizes the capitalized book value disclosed on our consolidated balance sheet. This portfolio amortization is the difference between actual collections and the sum of service cost revenue and investment income. While portfolio amortization is recognized on the balance sheet, it is also cash effective, but not recognized as revenue.

For an illustrative example of how portfolio revenue is recognized, see the chart under the heading "—*Revaluation of Purchased Debt Portfolios*."

Revaluation of Purchased Debt Portfolios

Following the initial recognition of a purchased debt portfolio at its purchase price, the carrying value of purchased debt is rolled forward each month and decreased by the calculated portfolio amortization. See "—*Recognition of Revenue from Purchased Debt*." A purchased debt portfolio is recognized at fair value. Its fair value is changed, either positively or negatively, typically at the end of each fiscal year, although an intra-year revaluation may be triggered when current collections over the previous three months positively or adversely deviate from forecast collections by more than 15%. Changes in the fair value of a debt portfolio are recorded in the consolidated income statement. These changes are not cash effective. Developments which could result in a revaluation include:

- <u>Additional or a shortfall in collections in the period</u>: represents unplanned additional collections or shortfalls in collections;
- <u>Updated collection plans</u>: represents positive or negative fair value adjustments when comparing the amortized carrying amount and the net discounted portfolio collection forecasts, the latter determined on the basis of an updated collection plan reflective of the changes in the estimated collection forecast since the last revaluation. At the first revaluation, the estimated collection forecasts are compared against the collection forecasts at pricing and at the second revaluation, the estimated collection forecasts are compared against the collection forecast at the first revaluation, with iterative revaluations in the following months;
- <u>Changes in market interest rates</u>: represents any positive or negative variance between the estimated collection forecast discounted at the IRR which was determined at the time of purchase and the maturity matching EURIBOR six-month swap rates, which may increase or decrease the carrying amount of the financial asset (tested on a monthly basis) and adjust the actual IRR used to calculate investment income; and

- Changes in service cost rates: represents changes in carrying amounts resulting from updated service cost rates with an impact on estimated net collections. Since the year ended December 31, 2012, service cost rates have largely remained constant except for a small number of portfolios which have been affected.

First, a portfolio analysis is conducted by the valuation team, which prepares a range of collection curves with the aid of a specialized software tool, for comparison against the debt collection plan presently applied. These various analyses provide the following information: (a) regular payments analysis: a forecast curve, which projects patterns of regularly paying debtors into the future; (b) installment plan analysis: a forecast curve derived from agreed installment plans in place at the time of revaluation; (c) decay rate analysis: a forecast curve based on historical decay rates; (d) regression analysis: a forecast based on statistical analysis of actual collections; and (e) cohort analysis: a forecast curve based on collection patterns for different clusters grouped by principal value (either based on patterns from the portfolio itself or a reference portfolio).

In the second step, the portfolio manager, the valuation team and the management of the relevant operating entity review the results of the portfolio analysis and discuss which of the derived curves (as described above), or even a blended curve, might be the best fit, *i.e.,* reflecting the specific operational circumstances as well as the inherent uncertainties. The outcome of this review might be a proposal to adjust the collections forecast, which could influence the carrying value of the portfolio on our consolidated balance sheet and also the revenue in our consolidated income statement.

In the third and final step, senior management of the relevant operating company and/or the GFKL Group Chief Financial Officer (depending on the materiality of the revaluation) are asked for their approval of the proposed adjustment.

The overall process (collection curve analysis, reasoning, approval) is properly documented and regularly reviewed by the auditors.

Fair value adjustments are recognized as revenue in the consolidated income statement and are accrued to the carrying value of the acquired portfolio on the consolidated balance sheet. While fair value adjustments in the purchased debt portfolio are recognized in the consolidated income statement, they are not cash effective components.

In each revaluation process, if the remaining term from the initial forecast is less than 84 months, then the planning period for such revaluation period is set at 84 months. If the remaining term is more than 84 months, then the remaining term is used for the revaluation process.

Illustration of Accounting Principles

The table below sets forth an illustrative example of purchased debt portfolio revenue recognition and how it is reflected in our consolidated financial statements. The below assumes actual collections are in line with initial forecast, there are no changes in future collections expectations and no changes in market interest rates or the estimated cost of service.

Illustrative Purchased Debt Portfolio Accounting

€k	Year 1	Year 2	Year 3	Year 4
Portfolio valuation at purchase ("PV")				
Gross collections forecast	1,000	800	600	**2,400**
(-) Service costs (40% service cost rate)	(400)	(320)	(240)	**(960)**
(-) Discounting (13% IRR)	(69)	(104)	(111)	**(284)**
= Purchase price				**1,156**
Collections forecast				
Planned collections	1,000	800	600	**2,400**
PV net collections forecast (begin of period)	1,156	707	319	
PV net collections forecast (end of period)	707	319	–	
Actual collections	1,000	800	600	**2,400**
Balance sheet carrying amount				
Beginning of period	**1,156**	**707**	**319**	–
(-) Collections	(1,000)	(800)	(600)	**(2,400)**
(+) Service income (40% service cost rate)	400	320	240	**960**
(+) Investment income (13% IRR)	150	92	41	**284**
(-) Portfolio amortization	**(450)**	**(388)**	**(319)**	**(1,156)**
(+) Fair value changes	–	–	–	–
= End of period	**707**	**319**	–	–
P&L revenues				
Service income	400	320	240	**960**
Investment income	150	92	41	**284**
Additional or shortfall in collections in the period	–	–	–	–
Updated collection plans	–	–	–	–
Changes in market interest rates				
Changes in service cost rates				
Fair value changes	–	–	–	–
Total revenue	**550**	**412**	**281**	**1,244**

- **Scenario: Actual collections are in line with the initial forecast**
- The portfolio is initially recognized at cost (purchase price) which typically represents the net present value of the collection forecast
- Collections receipts are split into three different components to account for realized revenue as well as the amortization of the purchased debt portfolio carrying amount
  - Service cost revenue is calculated as imputed service cost rate (e.g., 40%) multiplied by the collections of the current period (*i.e.*, 40% x 1,000 = 400 in Year 1)
  - Investment income is calculated as IRR (determined at purchase, e.g. 13%) multiplied by the opening carrying amount of the current period (*i.e.*, 13% x 1,156 = 150 in Year 1)
  - The remainder of collections after allocation of service cost revenue and investment income represents the fair value recognized on the balance sheet in the Consolidated Financial Statements (*i.e.*, 450 in Year 1)
- At the end of each period, the carrying amount reflects the accounting forecast (present value of forecasted net collections)

Estimation of Cash Flow Forecasts From Purchased Debt Portfolios

The estimation of collection forecasts is a key variable in our policies on purchased debt portfolios. The initial estimates are based on our collection history with respect to portfolios comprising similar attributes and characteristics, such as date of purchase, debt originator, type of receivable, debtor payment histories, debtor location, and the time since the original charge-off, as well as on our experience and the existing schedule of repayment plans on the particular portfolio for which we are determining IRR. Further, the carrying amount of purchased debt portfolios in accordance with IFRS is based on our collection forecast for our acquired portfolios. As a result, we believe it is important to assess our purchased portfolios by analyzing the development of our collection plans.

Recognition of Prepayments related to Third-Party Collection Services, Revenue Recognition and Cash Flows from Third-Party Collection Services

The following sections describe how revenue and related balance sheet items are recognized for our third-party collection services business.

Revenue Recognition

Revenue from our third-party collection services business activities consists of collections, potential cost reimbursements and lawyer services revenue. Collections received are either retained as compensation for collection activities or forwarded to the applicable client in accordance with individual contractual arrangements. In addition, some contracts provide for the reimbursement of certain collection related costs such as court fees. Such reimbursements are recorded as revenue. Both collections and reimbursements are typically fully cash effective.

Recognition of Upfront Payments to Clients

Certain contracts in our third-party collection services business stipulate that we provide collection guarantees, which trigger upfront payments to our clients. These upfront payments are capitalized as "Receivables from guaranteed collections" within financial assets on our consolidated balance sheet. Once capitalized, these

assets are subsequently amortized when collections attributable to the serviced portfolio are received. See "*Our Business—Debt Collection—Overview*."

Factors Affecting Comparability

Holdco, the Issuer or GFKL Holdco may change their accounting policies relating to, among others, revenue recognition or portfolio amortization in the future. A change in accounting policies may result in the consolidated financial information shown in our future financial reports being less comparable to the consolidated financial information presented in this Offering Memorandum.

Key Operating Metrics

Purchased Debt Portfolios

During the periods under review, we have experienced significant growth in our asset base and cash flow generation, which we believe is the result of: (i) the growing volume of the purchased debt portfolios we have been able to acquire; (ii) our pricing discipline; and (iii) the efficiency and sophistication of our debt collection operations.

The table below sets forth an overview of our total holdings of purchased debt portfolios and other overdue receivables as of and for the periods indicated.

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2012	2013	2014	2014	2015
			(unaudited)		
Number of active claims (in thousands) at the end of the period	1,782	1,866	1,944	1,892	2,009
Face value of purchased debt with active claims (€ billion) at the end of the period[(1)]	5.3	5.0	5.0	5.0	5.0
Gross Collections from purchased debt (including payment receipts from secured portfolios) (€ million)[(2)]	82.2	88.8	91.7	23.3	23.7

(1) Includes accrued interest, fees and other charges for the active claims.
(2) See "*Summary Consolidated Financial and Other Information—Other Financial and Operating Data—Footnote 1*."

The table below sets forth the movement in our carrying value of purchased debt for the periods indicated.

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2012	2013	2014	2014	2015
			(€ million)		
				(unaudited)	
Carrying amount of non-performing loans and receivables acquired for settlement at the beginning of the period	121.5	116.8	100.7	100.7	102.8
Reclassification to assets classified as held for sale[(1)]	—	4.1	—	—	—
Acquisitions	31.6	26.1	27.8	6.8	11.1
Disposals[(2)]	(2.0)	(6.0)	(1.7)	(0.5)	(4.3)
Amortization[(3)]	(38.2)	(39.5)	(43.1)	(10.9)	(11.4)
Measurement at fair value[(4)]	3.8	7.5	19.2	5.2	4.8
Carrying amount of non-performing loans and receivables acquired for settlement at the end of the period	**116.8**	**100.7**	**102.8**	**101.3**	**103.0**

(1) Reclassification to assets classified as held for sale relates to our Spanish operation's assets that were still outstanding as of September 20, 2013 following the divestiture of the Spanish operations which were reclassified as held for sale in accordance with IFRS 5.

(2) Relates to put-backs and the sale of secured portfolios

(3) Amortization represents purchased debt portfolio collections for the period less service cost revenue and investment revenue and is labeled as "Repayment" in the notes to our Consolidated Financial Statements.

(4) The following table outlines the components of the measurement at fair value line-item presented above for the above periods. For further detail see "—*Revaluation of Purchased Debt Portfolios*."

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
			(€ million)	(unaudited)	
Additional amounts collected	6.2	10.0	8.1	0.5	0.3
Correction of direct write-downs	—	—	0.0	0.0	0.0
Plan adjustments	7.2	14.0	17.0	4.9	5.0
Service cost adjustments	—	—	—	—	0.0
Changes in market interest rates	2.2	2.3	1.9	0.7	0.7
Write-ups	**15.7**	**26.3**	**27.0**	**6.1**	**6.0**
Shortfalls in amounts collected	(4.5)	(2.6)	(1.6)	(0.1)	(0.1)
Direct write-downs	—	—	(0.6)	(0.0)	(0.4)
Plan adjustments	(6.3)	(11.9)	(4.1)	(0.4)	(0.3)
Risk adjustments	(0.0)	—	—	—	—
Service cost adjustments	(0.1)	(0.2)	(0.5)	(0.1)	(0.2)
Changes in market interest rates	(1.0)	(4.1)	(1.0)	(0.3)	(0.2)
Impairment expense	**(11.9)**	**(18.9)**	**(7.8)**	**(0.9)**	**(1.2)**
Measurement at fair value	**3.8**	**7.5**	**19.2**	**5.2**	**4.8**

Estimated Remaining Collections ("ERC")

We define Estimated Remaining Collections ("**ERC**") as the future collections expected to be received on all of our purchased debt portfolios during a 180-month period. These projections were prepared for illustrative purposes only and are different from the forecasts we use to calculate the fair value of our purchased debt portfolios as recognized in the Consolidated Financial Statements. Our purchased debt forecasts are based on our own historical data and collection forecast of typically up to 120 months and represent our estimates as to what an exit price would be in a single transaction for the specific portfolio. References to ERC in this Offering Memorandum are references to gross ERC (which includes estimated collections in respect of principal balance, costs, service costs and fees). ERC calculations are often used by other companies to present collections estimates covering collection periods comparable throughout the receivables management industry (e.g. 84-180 months), even though ERC might be calculated differently in detail. We believe that ERC represents an important supplemental measure to compare our cash generating capacity with other companies in the receivables management industry, even though we can provide no assurance that we will achieve such collections within the specified time period, or at all.

The table below sets forth a reconciliation from the IFRS carrying amount of our purchased debt to the ERC forecasts.

	For the year ended December 31, 2014
	(€ million, unless indicated) (unaudited)
Non-performing loans and receivables acquired for settlement	**103**
less purchased debt related to discontinued operations of PPS entity[(1)]	(4)
Carrying amount of purchased debt portfolios analyzed for estimated remaining collections	**99**
less capitalized market interest rate effect[(2)]	(5)
plus estimated collection costs[(3)]	70
plus discounting effect[(4)]	30
Gross estimated remaining collections forecast used for fair value calculation	**194**
plus application of back-tested forecast curves for selected portfolios[(5)]	118
plus shifting of forecast curves for selected portfolios to level of recent collections experience[(6)]	7
plus extending forecast curves to 180 months[(7)]	133
Gross estimated remaining collections forecast for 180 months for illustrative purpose (ERC)	**452**

(1) Purchased debt portfolios comprising collateralized bank loans are not included in the ERC forecast, and as a result are eliminated in the above reconciliation, because we have exited that business, but continue to service debt from those purchased debt portfolios.

(2) In order to reflect a marked-to-market valuation of purchased debt portfolios, any difference in discounting of the collection forecasts between using (i) a maturity matching swap rate and (ii) the internal rate of return of each individual portfolio (as determined at acquisition) is capitalized.

(3) Collections forecasts are prepared on a gross of collection cost basis (including estimated collections in respect of the principal, costs, service costs and fees). For reporting purposes, however, the net cash flow stream paid to GFKL is considered.

(4) For financial reporting purposes, collections are shown at their present value by discounting them at the IRR of each individual purchased debt portfolio (as determined at acquisition), whereas ERC is prepared on an undiscounted basis.

(5) For 53 out of the 198 portfolios in the population (76% of the total in terms of purchase price), the forecast curves for these portfolios have been applied by using back-tested curves which track historical portfolio performance in an actual but relatively short period of time instead of using historical data (as done for calculating the fair value as recognized in our Consolidated Financial Statements). We only use a subset of our total purchased debt portfolios, to enhance efficient data processing and creation, which include 53 of our large portfolios.

(6) Forecast curves for the remaining 145 out of the 198 portfolios (24% of the total in terms of purchase price) for which forecast curves are based on the collection forecast underlying the IFRS fair value are shifted (either upwards and downwards) to align in terms of actual absolute levels with collections for the last three months (spot and forward flows portfolios relating to prior periods) or the latest month (open forward flows).

(7) The majority of portfolio forecast curves included in the collection forecast underlying the IFRS fair value end prior to December 31, 2024 (*i.e.*, their forecast period comprises less than 120 months). For illustration purposes all curves have been extended to 180 months using consistent decay rates.

The table below sets forth the ERC, for our purchased debt by vintage as of December 31, 2014.

Vintage	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	Total
2003	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
2004	1.4	1.2	1.1	1.0	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.5	0.5	12.3
2005	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	3.6
2006	2.5	2.3	2.1	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.3	1.2	1.1	1.1	24.7
2007	13.6	12.0	10.7	9.6	8.6	7.8	7.0	6.3	5.7	5.2	4.7	4.3	3.9	3.5	3.2	106.1
2008	1.0	0.6	0.4	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9
2009	19.3	16.8	14.8	13.0	11.5	10.2	9.1	8.1	7.2	6.5	5.8	5.2	4.7	4.3	3.9	140.4
2010	3.9	3.4	3.0	2.7	2.5	2.4	2.3	2.1	2.0	1.9	1.8	1.7	1.7	1.6	1.5	34.6
2011	2.4	1.9	1.5	1.2	1.0	0.8	0.6	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	11.7
2012	5.8	4.4	3.4	2.6	2.0	1.6	1.3	1.1	0.9	0.7	0.6	0.5	0.4	0.3	0.3	25.8
2013	10.6	7.5	5.7	4.5	3.5	2.7	2.2	1.7	1.4	1.1	0.8	0.8	0.7	0.5	0.5	44.3
2014	15.3	8.3	5.5	3.9	3.0	2.2	1.7	1.3	1.0	0.7	0.5	0.4	0.3	0.3	0.2	44.7
Total	**76.4**	**58.9**	**48.5**	**41.1**	**35.4**	**30.8**	**26.9**	**23.8**	**21.1**	**18.8**	**16.9**	**15.2**	**13.8**	**12.6**	**11.5**	**451.8**

While returns achieved on an individual portfolio can vary, we have a consistent record of unlevered returns on our aggregate purchased portfolios. The table below sets forth certain data related to our purchased debt portfolios and other overdue receivables by vintage, such as purchase price, collections, ERC and Gross Money Multiple as of December 31, 2014. It demonstrates our ability to continue to extract value from our purchased portfolios over a long period of time.

Vintage	Purchase Price[(1)]	Gross Collections	Cash as % of pricing[(2)]	ERC[(3)]	Gross Collections plus ERC	Gross Money Multiple[(4)]
	(€ millions)			(€ millions)		
2003	0.8	2.6	156%	0.7	3.3	4.0x
2004	10.5	28.7	130%	12.3	41.0	3.9x
2005	2.4	8.1	193%	3.6	11.7	4.8x
2006	17.9	39.5	118%	24.7	64.2	3.6x
2007	71.9	184.2	124%	106.1	290.3	4.0x
2008	8.1	19.9	113%	2.9	22.8	2.8x
2009	71.8	196.0	129%	140.4	336.4	4.7x
2010	16.4	32.6	122%	34.6	67.2	4.1x
2011	11.4	19.1	107%	11.7	30.8	2.7x
2012	27.5	30.0	89%	25.8	55.8	2.0x
2013	30.3	33.3	113%	44.3	77.6	2.6x
2014	27.1	15.5	107%	44.7	60.2	2.2x
Total	**296.3**	**609.6**	**121%**	**451.8**	**1,061.4**	**3.6x**

(1) Purchase price represents the purchase prices at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and on the acquisition closing date, when we recognize the purchased debt on our consolidated balance sheet.

(2) This compares Gross Collections relative to a portfolio's original pricing forecast.

(3) Estimated Remaining Collections (ERC) is the future collections projected to be received on all of our purchased debt portfolios during a 180-month period. The ERC figures presented in this Offering Memorandum are a different and distinct measure from the collection forecasts that we use to value our purchased debt on our consolidated balance sheets. See "*Estimated Remaining Collections ("ERC")*."

(4) Gross Money Multiple is the total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved to date and ERC divided by purchase price.

Key Operating Metrics for Debt Collection Services

The table below sets forth the total volume of our third-party collection services as of the periods indicated.

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2012	2013	2014	2014	2015
Number of active claims (in thousands)	1,292	1,322	1,461	1,351	1,543
Face value (€ in billions)[1]	11.7	11.9	11.4	11.9	11.2
Gross Collections from third-party collection services (in € million)	231.6	242.3	261.5[2]	86.5 [2]	63.3

(1) Includes fees, interest and other charges for the active claims.

(2) Gross Collections for the year ended December 31, 2014 and the three months ended March 31, 2014 included €28.3 million purchase price consideration from a secured real estate portfolio that was sold on behalf of one of our third-party collection services clients.

Description of Principal Balance Sheet Line Items

The following is a discussion of our key consolidated balance sheet line items.

Non-performing loans and receivables acquired for settlement

Non-performing loans and receivables acquired for settlement represents GFKL's purchased debt portfolios purchased at prices significantly below the face value and which are recognized at purchase price initially and are subsequently measured at fair value through profit and loss using a market value-based investment model. See "*—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios*."

Key Income Statement Items

Set forth below is a brief description of the composition of the key line items of our consolidated statement of profit or loss:

Revenue

Revenue primarily comprises debt collection revenue, debt purchase revenue and lawyer service revenue. Debt collection revenue refers to fees and cost reimbursements from the management of third-party debt portfolios. Debt purchase revenue consists of portfolio-related service and investment income from the settlement of non-performing loans and receivables. We also recognize revenue on our purchased debt portfolios to reflect fair value changes to the portfolio. Changes in fair value may be due to changes in collection estimates on our acquired portfolio, or due to actual cash collections being in excess of or below the collection estimate for the relevant period. Lawyer service revenue results from rendering administrative services to collection lawyers.

Other Operating Income

Other operating income includes reversals of provisions and accrued liabilities, reversals of valuation allowances on receivables, purchase price adjustments for the sale of subsidiaries and disposal of non-current assets.

Cost of Purchased Goods and Services

Cost of purchased goods and services is largely attributable to the acquisition of hardware and access systems at intratech GmbH in the year ended December 31, 2014.

Personnel Expenses

Personnel expenses represent salary and other employee-related expenses such as long-service bonus commitments, severance of employees and Executive Board members and pensions and other post-employment benefit obligations.

Depreciation Amortization and Impairment Expense

Depreciation, amortization and impairment expense includes the depreciation of tangible fixed assets and amortization of intangible assets on a straight line basis over the useful lives of the assets.

Other Operating Expenses

Other operating expenses include legal, court and dunning expenses related to the collection process, postage and other expenses incurred in the collection of receivables, valuation allowances and write-downs on receivables and financial assets, administrative expenses, contributions and rents including leases for vehicles and office equipment, expenses from the measurement of non-performing loans and receivables acquired for settlement, personnel recruitment and freelancers fees, consulting and auditing fees, commissions and incidental refinancing costs and expenses arising from the disposal of assets.

Interest and Similar Income

Interest and similar income relates mainly to the fair value measurement of derivatives.

Interest and Similar Expense

Interest and similar expense arises mainly from certain loan liabilities and expenses from fair value measurement as well as interest expenses from derivatives.

Income taxes

The income tax expense comprises current and deferred tax, with Group tax expense calculated using a tax rate of approximately 32%. The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Tax positions are periodically evaluated and positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred income tax is calculated using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Profit/loss from Discontinued Operations

Profit/loss from discontinued operations includes the profit/loss from the Spanish subsidiaries of GFKL that were held for sale or sold during the relevant periods. The Spanish subsidiaries comprised Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U (together, the "**Multigestión Group**" or the "**Spanish Subsidiaries**"). The sale of these companies was completed as of December 30, 2014. In 2012, we disposed of our former "Software" business and presented it as discontinued operations (GENEVA-ID GmbH).

Results of Operations

Comparison of Consolidated Balance Sheet as of March 31, 2015 with December 31, 2014

Non-performing loans and receivables acquired for settlement

Our current and non-current non-performing loans and receivables acquired for settlement (our purchased debt), increased to €103.0 million as of March 31, 2015 from €102.8 million as of December 31, 2014, representing an increase of €0.2 million, or 0.2%. The increase was due primarily to acquisitions of €10.6 million (net of direct write-downs relating to the PayProtect offering of €0.4 million) and fair value

changes (shown as measurement at fair value in the notes to the Consolidated Financial Statements) of €5.2 million, which were partly offset by repayments of €11.4 million and disposals of €4.3 million.

Comparison of the Three-Month Period ended March 31, 2015 with the Three-Month Period ended March 31, 2014

The following table shows the results of operations for the three-month periods ended March 31, 2014 and 2015 and the period-to-period changes.

	For the three months ended March 31,		
	2014	**2015**	**Change in %**
		(€ million) (unaudited)	
Revenue	55.5	62.6	12.7
Other operating income	1.2	1.9	53.8
Cost of purchased goods and services	0.0	0.3	—
Personnel expenses	11.1	11.7	5.5
Depreciation, amortization and impairment expense	0.9	1.0	11.8
Other operating expenses	34.5	39.7	14.9
Interest and similar income	0.2	0.3	30.4
Interest and similar expenses	3.7	2.2	(41.1)
Earnings before tax	**6.7**	**9.9**	**46.6**
Income taxes	2.3	3.4	49.6
Profit/(loss) from continuing operations	**4.5**	**6.5**	**45.1**
Profit/(loss) from discontinued operations	**0.0**	**0.0**	**—**
Consolidated profit/(loss) for the period	**4.4**	**6.5**	**46.3**
Profit attributable to non-controlling interests	0.0	0.0	—
Loss attributable to non-controlling interests	0.0	0.1	—
Profit/(loss) attributable to equity holders of the parent	**4.4**	**6.6**	**48.4**

Revenue

Our revenue was €62.6 million for the three months ended March 31, 2015 compared to €55.5 million for the three months ended March 31, 2014, representing an increase of €7.0 million, or 12.7%, for the three months ended March 31, 2015 as compared to the prior period. The increase was primarily driven by increased lawyer service revenue, which improved by €4.2 million (24.2%) and a €2.2 million, or 10.8% increase in debt collection revenue.

The following table shows the sales contributions of our businesses for the three-month periods ended March 31, 2014 and 2015 and the period-to-period changes in these revenue contributions.

	For the three months ended March 31,				Change 2014 vs. 2015
	2014		**2015**		
	(€ million)	**(in % of revenue)**	**(€ million)**	**(in % of revenue)**	**(%)**
			(unaudited)		
Third-party collection services	20.7	37.3	22.9	36.7	10.8
Debt purchase	17.3	31.3	17.3	27.6	(0.6)
Other services	0.0	0.0	0.7	1.1	—
Lawyer service revenue	17.5	31.4	21.7	34.6	24.2
Total	**55.5**	**100.0**	**62.6**	**100.0**	**12.7**

Other Operating Income

Other operating income was €1.9 million for the three months ended March 31, 2015 compared to €1.2 million for the three months ended March 31, 2014, representing an increase of €0.7 million, or 53.8%, for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The increase was largely due to higher income from the release of provisions in connection with the expiry of the provision related to an onerous contract with a debt service provider and accrued expenses.

Cost of Purchased Goods and Services

Cost of purchased goods and services was €0.3 million for the three months ended March 31, 2015 with no comparable costs being recorded for the three months ended March 31, 2014. The costs relate to the software and service company intratech GmbH, which was acquired in July 2014.

Personnel Expenses

Our personnel expenses were €11.7 million for the three months ended March 31, 2015 compared to €11.1 million for the three months ended March 31, 2014, representing an increase of €0.6 million, or 5.5%, for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The increase reflects the build-up of personnel in the debt collection process and the newly established data analytics team, which was, however, mostly offset by savings from the centralization of IT and other support services during 2014 through the establishment of the GFKL Service Center.

Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expenses were €1.0 million for the three months ended March 31, 2015 compared to €0.9 million for the three months ended March 31, 2014, representing an increase of €0.1 million, or 11.8%, for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The increase mainly resulted from the recent investments into our IT infrastructure.

Other Operating Expenses

Other operating expenses were €39.7 million for the three months ended March 31, 2015 compared to €34.5 million for the three months ended March 31, 2014, representing an increase of €5.2 million, or 14.9%, for the three months ended March 31, 2015 as compared to the corresponding prior year period. The increase was largely driven by higher collection lawyer charges (representing an increase of €4.4 million, or 24.7%, as compared to the prior period), reflecting the further roll-out of our collection lawyer outsourcing model, higher court, bailiff and other dunning process costs (representing an increase of €0.4 million, or 3.4%, as compared to the corresponding period in the prior year) in line with our business growth and first-time direct write-offs in relation to the PayProtect service offering of €0.4 million. Indirect costs contributed €0.2 million to the increase in other operating expenses.

Net Interest and Similar Income/Expenses

We had net interest and similar expenses of €1.9 million for the three months ended March 31, 2015 compared to €3.5 million for the three months ended March 31, 2014, representing a decrease of €1.6 million, or 45.8%, for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The decrease was mainly driven by the refinancing that took place in September 2014.

Profit/loss from Discontinued Operations

Net loss in discontinued operations was negligible in both the three months ended March 31, 2015 and the three months ended March 31, 2014.

Consolidated Profit/Loss for the Period

Consolidated profit for the period was €6.5 million for the three months ended March 31, 2015 and €4.4 million for the three months ended March 31, 2014, representing an increase of €2.1 million, or 46.3%, for the three months ended March 31, 2015 as compared to the corresponding period in the prior year for the reasons explained above.

Comparison of Consolidated Balance Sheet as of December 31, 2014 with December 31, 2013

Non-performing loans and receivables acquired for settlement

Our non-performing loans and receivables acquired for settlement (our purchased debt), increased to €102.8 million as of December 31, 2014 from €100.7 million as of December 31, 2013, representing an increase of €2.1 million, or 2.1%. The increase was due primarily to acquisitions of €27.8 million and fair value changes (shown as measurement at fair value in the notes to the Consolidated Financial Statements) of €19.2 million, which were partly offset by repayments of €43.1 million and disposals of €1.7 million. In comparison to the prior year, acquisitions increased slightly by €1.7 million and the positive fair value changes were significantly higher than in the prior period. This effect relates to a €11.1 million decrease in impairment expense in 2014 reflecting our operating performance.

Comparison of the Financial Year ended December 31, 2014 with the Financial Year ended December 31, 2013

The following table shows the results of operations for the year ended December 31, 2014 and 2013 and the period-to-period changes.

	For the years ended December 31,		
	2013	**2014**	**Change in %**
	(€ million)		
Revenue	190.4	243.8	28.1
Other operating income	11.1	16.1	45.0
Cost of purchased goods and services	—	0.8	—
Personnel expenses	44.0	45.2	2.8
Depreciation, amortization and impairment expense	3.9	6.3	63.0
Other operating expenses	134.6	163.8	21.7
Interest and similar income	2.6	0.5	(79.4)
Interest and similar expenses	14.8	16.0	8.2
Earnings/(loss) before tax	**6.9**	**28.4**	**310.8**
Income taxes/(income)	(7.5)	11.0	—
Profit/(loss) from continuing operations	**14.4**	**17.4**	**20.1**
Profit/(loss) from discontinued operations	**(12.2)**	**(2.3)**	**(81.4)**
Consolidated profit/(loss) for the period	**2.3**	**15.1**	**559.7**
Profit attributable to non-controlling interests	—	0.0	—
Loss attributable to non-controlling interests	0.0	—	—
Profit/(loss) attributable to equity holders	**2.3**	**15.1**	**555.1**

The overall development of GFKL's results of operations between the years ended December 31, 2013 and 2014 was characterized by regulatory changes in the German Act on the Remuneration of Attorneys (*Rechtsanwaltsvergütungsgesetz*) that increased the rates charged by individual lawyers that became effective as of August 1, 2013. This amendment led to price inflation in our direct costs (such as court and bailiff fees and collection lawyer charges) but also enabled higher revenue from debt collection fees and cost reimbursements, which are, however, lagging behind the corresponding costs.

Revenue

Our revenue was €243.8 million for the year ended December 31, 2014 compared to €190.4 million for the year ended December 31, 2013, representing an increase of €53.4 million, or 28.1%, for the year ended December 31, 2014 as compared to the prior year. The growth was realized by an increase in debt collection revenue by €9.5 million, or 12.4%, reflecting the full-year impact of a newly acquired retail client and price inflation from the aforementioned increase in rates charged by individual lawyers, and higher debt purchase revenue of €6.2 million, or 10.1%. The higher debt purchase revenue primarily resulted from fair value changes triggered by the outperformance of prevailing collection plans. The roll-out of our successful collection lawyer model to GCG's telecommunication portfolios during 2014 also contributed a further significant increase in lawyer service revenue of €36.0 million, or 69.3%, to the overall revenue development.

The following table shows the sales contributions of our businesses for the years ended December 31, 2014 and 2013 and the period-to-period changes in these sales contributions.

	For the years ended December 31,				Change 2013 vs. 2014
	2013		2014		
	(€ million) (unaudited)	(in % of revenue) (unaudited)	(€ million) (unaudited)	(in % of revenue) (unaudited)	(%) (unaudited)
Third-party collection services	77.1	40.5	86.6	35.5	12.4
Debt purchase	61.4	32.2	67.6	27.7	10.1
Other services	(0.0)	(0.0)	1.7	0.7	—
Lawyer service revenue	51.9	27.3	87.9	36.1	69.3
Total	**190.4**	**100.0**	**243.8**	**100.0**	**28.1**

Other Operating Income

Other operating income was €16.1 million for the year ended December 31, 2014 compared to €11.1 million for the year ended December 31, 2013, representing an increase of €5.0 million, or 45.0%, for the year ended December 31, 2014 as compared to the prior year. The increase was driven primarily by the reversal of provisions recognized in 2011 for VAT back payments of €7.1 million as well as the correction of non-deductible input VAT reductions of €4.1 million that were recognized in 2012. These effects were partly offset by lower income from retrospective purchase price corrections relating to the previous subsidiary ULG of €3.8 million, which was included in the prior year amount.

Cost of Purchased Goods and Services

Cost of purchased goods and services was €0.8 million for the year ended December 31, 2014 with no comparable costs being recorded for the year ended December 31, 2013. This increase of cost of purchased goods and services was primarily attributable to the acquisition of hardware and access systems related to our non-wholly owned software and service subsidiary ITT, which was acquired in July 2014.

Personnel Expenses

Our personnel expenses were €45.2 million for the year ended December 31, 2014 compared to €44.0 million for the year ended December 31, 2013, representing an increase of €1.2 million, or 2.8%, for the year ended December 31, 2014 as compared to the prior year. The increase reflects the build-up of personnel in the debt collection process and the newly established data analytics team, the latter of which was, however, mostly offset by savings from the centralization of IT and other support services during 2014.

Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense was €6.3 million for the year ended December 31, 2014 compared to €3.9 million for the year ended December 31, 2013, representing an increase of €2.4 million, or 63.0%, for the year ended December 31, 2014 as compared to the prior year. The increase was mainly driven by the €2.4 million impairment loss recognized on the goodwill of ZYK. The 2014 impairment loss reflected an alignment of the carrying value to the performance of the subsidiary in recent years compared to our original budget. Our budget had assumed effects from a strategic repositioning of the company, which management upon reflection has decided not to implement.

Other Operating Expenses

Other operating expenses were €163.8 million for the year ended December 31, 2014 compared to €134.6 million for the year ended December 31, 2013, representing an increase of €29.2 million, or 21.7%, for the year ended December 31, 2014 as compared to the prior year. The increase was primarily due to a €36.6 million increase in expenses for collection lawyers incurred in connection with the further roll-out of our collection lawyer outsourcing model and the aforementioned increase in rates charged by individual lawyers. This increase was partially offset by the €6.3 million lower expense from the measurement of NPL receivables.

Interest and Similar Income

Interest and similar income was €0.5 million for the year ended December 31, 2014 compared to €2.6 million for the year ended December 31, 2013, representing a decrease of €2.1 million, or 79.4% as compared to the prior year. The decrease was largely attributable to lower income from the fair value measurement of derivatives.

Interest and Similar Expense

Interest and similar expenses was €16.0 million for the year ended December 31, 2014 compared to €14.8 million for the year ended December 31, 2013, representing an increase of €1.2 million, or 8.2%, for the year ended December 31, 2014 as compared to the prior year. The increase was driven by the refinancing and securitization of certain portfolios of purchased debt in the year ended December 31, 2014 as part of the Milla Securitization program.

Income Taxes

Income taxes changed to an expense of €11.0 million for the year ended December 31, 2014 from an income of €7.5 million for the year ended December 31, 2013. The change was primarily attributable to increased income tax expenses of €8.3 million for the year ended December 31, 2014 resulting from the recognition of deferred taxes of €5.6 million in that year and tax expenses of €2.7 million incurred in prior years but recognized in 2014. We recognized income of €9.1 million for the year ended December 31, 2013 as a result

of a reversal of provisions for a tax audit of €5.6 million and the recognition of a receivable of €3.5 million due to changed court rulings on the recognition of profit and loss transfer agreements.

Profit/loss from Discontinued Operations

Loss from discontinued operations was €2.3 million for the year ended December 31, 2014 compared to a loss of €12.2 million for the year ended December 31, 2013, representing a decrease of €9.9 million, or 81.4%, for the year ended December 31, 2014 as compared to the prior year. The decrease was due to the impairment loss of €12.1 million recognized for the year ended December 31, 2013 on the goodwill allocated to the Spanish Subsidiaries. A comparable loss was not recognized for the year ended December 31, 2014. The net loss from discontinued operations for the year ended December 31, 2014 includes the current results of the Spanish Subsidiaries, the expenses for the sale process and the loss from the sale of Multigestión Group.

Consolidated Profit/Loss for the Period

Consolidated profit for the period was €15.1 million for the year ended December 31, 2014 compared to €2.3 million for the year ended December 31, 2013, representing an increase of €12.8 million for the year ended December 31, 2014 as compared to the prior year. This increase was largely attributable to a substantial decrease in loss from discontinued operations for the aforementioned periods and an increase in profit from continuing operations.

Comparison of Consolidated Balance Sheet as of December 31, 2013 with December 31, 2012

Non-performing loans and receivables acquired for settlement

Our non-performing loans and receivables acquired for settlement, which consist of our purchased debt portfolios (including revaluations and excluding balances from the Multigestión Group in 2013), decreased to €100.7 million as of December 31, 2013 from €116.8 million as of December 31, 2012, representing a decrease of €16.1 million, or 13.8%. Our non-performing loans and receivables acquired for settlement decreased between the two periods largely due to higher acquisitions in 2012 (€31.6 million as of December 31, 2012 as compared to €26.1 million as of December 31, 2013), the reclassification of the purchased debt of the Multigestión Group to assets held for sale (€4.1 million) and fewer disposals in 2012 (€2.0 million as of December 31, 2012 as compared to €6.0 million as of December 31, 2013).

Comparison of the Financial Year ended December 31, 2013 with the Financial Year ended December 31, 2012

The following table shows the results of operations for the years ended December 31, 2013 and 2012 and the period-to-period changes.

	For the years ended December 31,		
	2012	**2013**	**Change in %**
	(€ million)		
Revenue	157.0	190.4	21.3
Other operating income	9.0	11.1	22.8
Personnel expenses	43.4	44.0	1.3
Depreciation, amortization and impairment expense	4.0	3.9	(3.5)
Other operating expenses	125.3	134.6	7.4
Interest and similar income	0.9	2.6	192.9
Interest and similar expenses	14.7	14.8	1.2
Profit/loss from investments in associates	0.1	—	—
Earnings/(loss) before tax	**(20.4)**	**6.9**	**133.9**
Income taxes/(income)	0.4	(7.5)	—
Profit/(loss) from continuing operations	**(20.8)**	**14.4**	**169.4**
Profit/(loss) from discontinued operations	**(3.2)**	**(12.2)**	**283.0**
Consolidated profit/(loss) for the period	**(24.0)**	**2.3**	**109.5**
Profit attributable to non-controlling interests	0.0	—	—
Loss attributable to non-controlling interests	0.0	0.0	—
Profit/(loss) attributable to equity holders	**(24.0)**	**2.3**	**109.6**

Revenue

Our revenue was €190.4 million for the year ended December 31, 2013 compared to €157.0 million for the year ended December 31, 2012, representing an increase of €33.4 million, or 21.3%, for the year ended December 31, 2013 as compared to the prior year. The increase was driven by higher debt collection revenue (representing an increase of €10.9 million, or 16.5%, as compared to the prior period), additional lawyer service revenue (representing an increase of €12.5 million, or 31.6%, as compared to the prior period) and improved debt purchase revenue (representing an increase of €10.0 million, or 19.6%, as compared to the prior period). The overall increase was positively affected by the full-year impact of GCG (€11.9 million), which was acquired in July 2012. GCG contributed revenue of €4.0 million in the year ended December 31, 2012.

The following table shows the sales contributions of our businesses for the years ended December 31, 2012 and 2013 and the period-to-period changes in these sales contributions.

	For the years ended December 31,				Change 2012 vs. 2013
	2012		2013		
	(€ million) (unaudited)	(in % of revenue) (unaudited)	(€ million) (unaudited)	(in % of revenue) (unaudited)	(%) (unaudited)
Third-party collection services	66.2	42.2	77.1	40.5	16.5
Debt purchase	51.3	32.7	61.4	32.2	19.6
Other services	(0.0)	—	(0.0)	—	—
Lawyer service revenue	39.5	25.1	51.9	27.3	31.6
Total	**157.0**	**100.0**	**190.4**	**100.0**	**21.3**

Other Operating Income

Other operating income was €11.1 million for the year December 31, 2013 compared to €9.0 million for the year ended December 31, 2012, representing an increase of €2.1 million, or 22.8%, for the year ended December 31, 2013 as compared to the prior year. The increase was driven by subsequent purchase price adjustments of €3.8 million relating to a company sold in prior years (ULG) and €2.8 million reversals of provisions mainly relating to onerous contracts, litigation and contractual guarantees. These effects were partially offset by the absence of a €4.5 million excess redemption payment, which was received during a bank loan refinancing in June 2012.

Personnel Expenses

Our personnel expenses were €44.0 million for the year ended December 31, 2013 compared to €43.4 million for the year ended December 31, 2012, representing an increase of €0.6 million, or 1.3%, for the year ended December 31, 2013 as compared to the prior year. Taking into account the full-year impact of GCG's personnel expenses of €2.1 million for the year ended December 31, 2013 and the *pro rata* inclusion of €0.9 million thereof in the prior year, personnel expenses decreased slightly overall, which was primarily driven by staff reductions related to operational efficiency improvements.

Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expenses were €3.9 million for the year ended December 31, 2013 compared to €4.0 million for the year ended December 31, 2012, representing a decrease of €0.1 million, or 3.5%, for the year ended December 31, 2013 as compared to the prior year. The marginal decrease was largely due to consistent depreciation, amortization, impairment expense between the periods and amortization on the customer relations of GCG which was largely offset by an extension of the useful life of our financial IT software.

Other Operating Expenses

Other operating expenses was €134.6 million for the year ended December 31, 2013 compared to €125.3 million for the year December 31, 2012, representing an increase of €9.2 million, or 7.4%, for the year ended December 31, 2013 as compared to the prior year. The increase was primarily due to a €12.0 million increase in expenses for collection lawyers, an additional €7.9 million expense relating to the settlement of a legal dispute with a former service provider and €1.0 million in fees for address services, which were partially offset by a €5.5 million decrease in one-time costs from the set-up of provisions for onerous contracts, restructuring and severance payments, a €2.4 million decrease in general and administrative expenses, contributions and rent expenses and a €3.4 million decrease in valuation allowance on receivables.

Interest and Similar Income

Interest and similar income was €2.6 million for the year ended December 31, 2013 compared to €0.9 million for the year ended December 31, 2012, representing an increase of €1.7 million, or 192.9%. This increase was largely attributable to higher income from the fair value measurement of derivatives.

Interest and Similar Expense

Interest and similar expenses were €14.8 million for the year ended December 31, 2013 compared to €14.7 million for the year ended December 31, 2012.

Income Taxes

Income taxes were an income of €7.5 million for the year ended December 31, 2013 compared to an expense of €0.4 million for the year ended December 31, 2012. This change was primarily attributable to the reversal of provisions for the tax audit of €5.6 million and the recognition of a receivable of €3.5 million due to changed court rulings on the recognition of profit and loss transfer agreements. The prior-year tax expense included the special effect of the recognition of tax provisions of €4.8 million due to a tax audit.

Profit/loss from Discontinued Operations

Loss from discontinued operations was €12.2 million for the year ended December 31, 2013 compared to a loss of €3.2 million for the year ended December 31, 2012, representing an increase of €9.0 million in loss from discontinued operations for the year ended December 31, 2013 compared to the prior year. The loss increase was driven by recognition of the impairment loss of €12.1 million on the goodwill allocated to the Spanish Subsidiaries.

Consolidated Profit/Loss for the Period

Consolidated profit for the period was €2.3 million for the year ended December 31, 2013 compared to a loss of €24.0 million for the year ended December 31, 2012. This increase was largely attributable to increased revenue for the year ended December 31, 2013, and relatively stable expenses as compared to the year ended December 31, 2012, as discussed above.

Liquidity and Capital Resources

Our liquidity requirements consist mainly of debt and tax servicing requirements, funding of our purchases of debt portfolios, capital expenditure and working capital. Historically, our principal sources of liquidity have been our net cash generated from operating activities (before debt portfolio purchases), borrowings under the Existing Credit Facility, which were repaid in full on the Completion Date, securitizations of purchased debt portfolios such as the Milla Securitization, and loans procured by our majority shareholder. Going forward, our principal sources of liquidity will primarily be our net cash generated from operating activities (before portfolio purchases), borrowings under the Revolving Credit Facility and potentially other sources of funding such as securitization programs. We do not intend to draw on the Revolving Credit Facility on the Issue Date. However, due to certain restrictions at GFKL Holdco which will remain in place until the Structure Event, we anticipate that we will need to draw on the Revolving Credit Facility to service our interest payment obligations under the Notes until the German Company Conversion is complete.

While our collections have historically been predictable throughout the year, our debt purchase activity can vary greatly from one quarter to the next. This is driven by the timing of one-off debt sales by vendors during the year, the timing of which we do not control, along with our own desire to purchase a portfolio at a given point in time. This could lead to volatility in our cash balances quarter on quarter.

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

Cash Flows

The following table sets forth the principal components of our cash flows for the years ended December 31, 2014, 2013 and 2012 and the three months ended March 31, 2015 and 2014.

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
	(in € million)				
				(unaudited)	
Cash flow from operating activities	18.3	53.3	36.9	11.2	18.1
Cash flow from investing activities	(14.5)	(22.1)	(29.7)	(6.6)	(7.5)
Cash flow from financing activities	(24.2)	(9.3)	(31.6)	12.8	(0.7)
Change in cash and cash equivalents	(20.4)	21.9	(24.3)	17.4	9.8
Cash and cash equivalents at the end of the period	**38.2**	**60.1**	**35.7**	**77.4**	**45.5**
thereof restricted cash	20.3	19.8	24.4	22.6	31.7

Net cash generated from operating activities

Our cash flow from operating activities increased by €6.8 million from net cash generated from operating activities of €11.2 million for the three months ended March 31, 2014 to €18.1 million for the three months ended March 31, 2015. This increase was due primarily to improved profits from continuing operations. Of the cash and cash equivalents, restricted cash increased by €9.1 million from €22.6 million for the three months ended March 31, 2014 to €31.7 million for the three month ended March 31, 2015. Restricted cash and cash equivalents comprise of earmarked funds, which relate to the pass-through obligations from portfolio management and administered trust accounts in receivables management.

Our cash flow from operating activities decreased by €16.4 million from €53.3 million for the year ended December 31, 2013 to €36.9 million for the year ended December 31, 2014. This decrease was primarily due to the loss of collections revenue from a discontinued Spanish subsidiary and increased cash outflows for upfront payments to customers under third-party service contracts with collection guarantees (guaranteed collections). Of the cash and cash equivalents, restricted cash increased by €4.6 million from €19.8 million for the year ended December 31, 2013 to €24.4 million for the year ended December 31, 2014.

Our cash flow from operating activities was €18.3 million for the year ended December 31, 2012 compared to €53.3 million for the year ended December 31, 2013. This increase in was primarily due to improved operational margins and the cash inflow from the initiation of the liquidation of a Spanish subsidiary in 2013. Of the cash and cash equivalents, restricted cash decreased by €0.6 million from €20.3 million for the year ended December 31, 2012 to €19.8 million for the year ended December 31, 2013.

Cash flow from investing activities

Our cash flow used in investing activities increased by €0.9 million from cash flow used in investing activities of €6.6 million for the three months ended March 31, 2014 to €7.5 million for the three months ended March 31, 2015. The increase in our net cash used in investing activities was due primarily to greater net investments in purchased debt portfolios.

Our cash flow used in investing activities increased by €7.6 million from cash flow used in investing activities of €22.1 million for the year ended December 31, 2013 to €29.7 million for the year ended December 31, 2014. The increase was due primarily to higher cash outflow for the acquisition of property, plant and equipment/intangible assets (representing an increase of €2.9 million), higher investments in our NPL portfolios (representing an increase of €1.7 million) and lower divestments of NPL portfolios (representing a decrease of €4.3 million), which were partially offset by net cash inflows from the sale of the Spanish Multigestión Group and SBL Mobilien GmbH.

Our cash flow used in investing activities increased by €7.6 million from €14.5 million for the year ended December 31, 2012 to €22.1 million for the year ended December 31, 2013. This increase was primarily related to increase in investments in NPL portfolios, which amounted to €26.1 million cash used for the year ended December 31, 2013 from €16.5 million in the prior year. Further, in 2012 we received cash inflows from the sale of Universal Leasing GmbH, which occurred in 2011, amounting to €24.6 million (shown as cash received from transferred receivables in the 2013 Audited Consolidated Financial Statements), which were largely offset by the cash outflow for the acquisition of GCG amounting to €23.3 million in 2012 (shown as acquisition of companies and shares less net cash acquired in the 2013 Audited Consolidated Financial Statements).

Cash flow from financing activities

Our cash flow from financing activities was €12.8 million for the three months ended March 31, 2014 compared to a cash outflow of €0.7 million for the three months ended March 31, 2015. This change was primarily due to the absence of cash received from financing for NPL portfolios and the increased repayment of financing for NPL portfolios.

Our cash flow used in financing activities was €9.3 million for the year ended December 31, 2013 compared to €31.6 million for the year ended December 31, 2014. This increase was primarily due to the repayment of bank loans and the increased repayment of financing for NPL portfolios.

Our cash flow used in financing activities was €24.2 million for the year ended December 31, 2012 compared to €9.3 million for the year ended December 31, 2013. This decrease was primarily related to cash received from financing NPL portfolios, which was €18.3 million for the year ended December 31, 2013 and €0.0 million in the prior year.

GFKL currently holds a cash pool at DZ Bank, and we continue to evaluate our inter-bank-pooling options moving forward. Every cash pool entity/subsidiary has a pool account that is pooled on a daily basis to the master account. Debit or credit positions will be cleared by the pooling bank at the end of each business day.

Capital Expenditure

Our investments in intangible and tangible fixed assets (capital expenditure, shown as acquisition of property, plant and equipment/ intangible assets in the Consolidated Financial Statements) consist mainly of: (i) IT hardware; (ii) IT software and development; and (iii) office equipment and infrastructure, such as the relocation of our headquarters to Essen and the establishment of the GFKL Service Center in Gelsenkirchen.

Our capital expenditure increased by €0.3 million, from €0.4 million for the three months ended March 31, 2014 to €0.7 million for the three months ended March 31, 2015, due primarily to IT projects relating to our data warehouse and our new IT tool.

Our capital expenditure increased by €2.9 million, from €2.0 million for the year ended December 31, 2013 to €5.0 million for the year ended December 31, 2014, due primarily to our office relocation, IT hardware and prepayments for software licenses and software development projects. Our capital expenditure for the year ended December 31, 2012 was €2.9 million, which was €0.8 million more than the year ended December 31, 2013 due to the capitalization of service fees paid by Proceed Collection Services GmbH. We have budgeted approximately €5.3 million for ongoing maintenance and refurbishment of our IT systems through 2018 (thereof, €0.7 million, €1.1 million, nil and €3.4 million in the financial years ending December 31, 2015, 2016, 2017 and 2018, respectively).

Certain Indebtedness After Giving Effect to the Offering

After giving effect to the issuance of the Notes and the application of proceeds of the Offering as described in "*Use of Proceeds,*" as of March 31, 2015, total financial indebtedness of the Issuer and its subsidiaries would have been €372.8 million. In addition, on June 29, 2015, we entered into the Revolving Credit Facility in the amount of €60.0 million, which we anticipate will be undrawn at the Issue Date. However, we expect to draw on the Revolving Credit Facility to make interest payments on the Notes until the Structure Event is complete. We are highly leveraged. As of March 31, 2015, on an unaudited basis after giving effect to the Transactions, our financing arrangements would have been as follows:

	Due within one year	Due between one year and seven years	Due after seven years
		(in € million)	
Notes offered hereby[1]	—	—	365.0
Revolving Credit Facility[2]	—	—	—
Milla Securitization[3]	—	—	—
Total	**—**	**—**	**365.0**

(1) Reflects the gross proceeds from the issuance of the Notes.

(2) The Revolving Credit Facility will provide for up to €60.0 million of senior secured credit borrowings. Pursuant to the terms of the Revolving Credit Facility Agreement, the Issuer may request to incur additional facilities under the Revolving Credit Facility Agreement in amounts up to the greater of €25.0 million and 7.9% of the Group's 84-month ERC.

(3) As of March 31, 2015, debt related to the Milla Securitization was €7.8 million, which as of June 22, 2015 was reduced to €4.4 million. Debt related to the Milla Securitization is expected to further change over time.

For a description of the material terms of our existing long-term financing arrangements and our anticipated long-term financing arrangements, see "*Description of Certain Financing Arrangements*" and "*Description of the Notes.*"

We use interest rate swaps to hedge the effect of changes in interest rates on our profit and loss, primarily to hedge changes in the value of NPL portfolios caused by changes in interest rates. We further hedge parts of our cash flow risk which arises out of variable interest agreements on the refinancing side. We also enter into a derivative contract by paying fixed interest payments in exchange for receiving floating rate interest payments.

Other Financial Obligations: Pension and Other Post-Employment Obligations

For a description of certain pension plans and obligations, see "Note III. 25" to our 2014 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Off-Balance Sheet Arrangements

We are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

Qualitative and Quantitative Disclosures on Market Risk

See "Note II. 9." to our audited consolidated financial statements as of and for the year ended December 31, 2014 included elsewhere in this Offering Memorandum for additional information on our exposure to market risk and the risk of loss that may result from the potential change in interest levels, refinancing and credit risks.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Amounts drawn under the Revolving Credit Facility will bear interest at a floating rate.

While we may enter into hedging agreements in the future, we may also elect not to do so or the terms on which we hedge may not be satisfactory or may fail to adequately protect us from changes in market interest rates.

Market Risks

The main market risk is related to general macroeconomic conditions and local rules and statutory regulations in the markets in which we operate and which, in turn, affect the debtors' ability to pay and our clients' ability and willingness to sell portfolios of loans and receivables and potential commission from third-party collection services.

Counterparty Risks

Counterparty risk describes the possibility that a cash loss could arise due to a contractual partner not or only partly fulfilling its contractual (payment) obligations. We are exposed to various kinds of counterparty risk, namely (a) directly due to the investment of cash and cash equivalents, (b) indirectly through the purchase of portfolios of secured and unsecured non-performing loans (investment risk), and (c) through derivative positions (settlement risk).

From our perspective, investment risk was the most significant form of risk as of the balance sheet date.

The credit risks arising from the investment of cash and cash equivalents is limited by the fact that the Group only works with partners with an exemplary credit rating.

Price Risks

Price risks entail negative changes in the value of asset and liability items caused by unexpected market price fluctuations. Included in the price risks which the GFKL Group faces directly or indirectly through the group companies are interest rate and margin risks.

- *Interest rate risks* are the risk of a decrease in the present value of the entire cash flow from all relevant investments, corresponding financing arrangements and hedging instruments due to changes in interest rates. This can occur both at the group holding company level and at the level of the group companies and in the form of both fixed and variable interest rate risk. Risk management and financial management as a whole are performed centrally at group level. When it comes to interest rate risk, GFKL's risk policy

aims to achieve consistent safeguards against all significant risks, whether in the form of risk avoidance through refinancing with matching maturities, or compensation through the use of interest rate hedging instruments.

- *Margin risks* occur in receivables management. Due to rising competition and increasing price sensitivity of defaulted debt sellers, the GFKL Group is subject to margin risks. They can entail returns (margins) that fall below their expected value. This risk affects both service mandates and defaulted debt purchases.

Liquidity Risks

Liquidity risks are the danger that the GFKL Group will be unable to fulfill its contractual payment obligations on time or not in the correct amount. Liquidity risks are managed at group level. For this purpose, sophisticated management tools are in place comprising the following three components:

- GFKL Holdco's short-term cash management comprises the daily rolling, local and direct recording of the liquidity situation of the individual group companies with the help of the corresponding applications in the treasury management system. Reports on current liquidity are sent daily by the Treasury department to the entire Executive Board.
- GFKL Holdco's medium-term operational liquidity planning provides four-week rolling plans of the development of available liquidity balances for each company on a local basis for each of the next 13 weeks and for a period of 52 weeks (one year) on a monthly basis.
- Strategic liquidity management provides a plan for the Group's liquidity development once a year by identifying all cash items of the Group's financial plan for a period of five years. The first forecast period is presented on a monthly basis and the other forecast periods on a quarterly basis.

Significant Accounting Risks

In May 2014, the International Accounting Standards Board ("**IASB**") issued IFRS 15, which specifies how and when an IFRS reporting company will recognize revenue as well as requiring such entities to provide readers of financial statements, to a greater extent than previously required, with more informative, relevant disclosure. Specifically, it provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 was initially intended to apply to an annual reporting period beginning on or after January 1, 2017, however, IASB as of the date hereof, intends to shift the beginning of a mandatory application to January 1, 2018. Although we have not fully assessed the impact of IFRS 15, we believe that how and when we recognize revenue will be affected by implementing IFRS 15. See also Notes II. 3. b. of the 2014 Audited Consolidated Financial Statements.

INDUSTRY AND MARKET DATA

Certain of the information set forth in this section has been derived from external sources, including information from the Company Market Study. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we believe that these industry publications, surveys and forecasts are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Therefore, the following data, especially on market sizes, past growth rates and competitive positions should be viewed with caution, and may differ from market and competitive data contained in other analyses or calculations of competitors. See "Presentation of Industry and Market Data." Additional factors that should be considered in assessing the market and competitive data are described elsewhere in this Offering Memorandum, including in particular in the section entitled "Risk Factors."

Introduction to the Receivables Management Industry

Debt is created when a creditor extends credit to a person, who in turn becomes a debtor. Such arrangements occur routinely and include financial institutions extending loans or trade sector companies (including, for example retail and telecommunications companies or public sector entities) issuing invoices for services rendered. When a debtor does not repay the debt according to the terms on which it was extended, the debt becomes overdue. Overdue debt is an inherent consequence of unsecured lending. Creditors typically expect a certain percentage of debtors to default and accordingly, manage their pricing to a target default level. Overdue debt is either collected by the originator itself, a law firm or by a receivables management company, such as the GFKL Group.

For many originators, delinquent debt management is a low priority or non-core activity because volumes of defaulted debt are small relative to the overall scale of lending. Depending on the originators' preferences and objectives, a receivable management company either manages the overdue debt on behalf of the originator according to a servicing agreement or purchases the overdue debt from the originator, thereby taking legal ownership of the debt and acquiring the right to collect on it for its own account. The GFKL Group manages overdue debt on behalf of the originator within the third party collections and services business and purchases overdue debt within the debt purchase business.

Unless otherwise stated, references to overdue receivables or NPLs in this section refer to unsecured consumer debt that remains unpaid for more than 45 days or, in the case of receivables sourced from the banking industry, generally 90 days past the original payment due date. Unless otherwise stated, all references in this section are to the German market.

For our internal analysis, we divide the receivables management industry into two categories, captive receivables management companies and non-captive receivables management companies:

- **Captive:** A captive receivables management company is, generally, a subsidiary or other related entity of a larger industrial or services conglomerate (*e.g.*, EOS is part of the Otto group and Arvato is part of the Bertelsmann conglomerate). Being part of a larger group of companies provides captive receivables management companies with a steady stream of overdue receivables from their affiliates, in addition to purchasing and servicing overdue receivables from third parties. We believe that the business model of captive receivables management companies differs from the business model of non-captive receivables management companies that have to compete for all of their overdue receivables portfolios in the open market.
- **Non-captive:** A non-captive receivables management company is, generally, a standalone business (*e.g.*, the GFKL Group or Creditreform). Non-captive receivables management companies, generally, do not service or purchase any debt that was originated by their own group companies.

Overview of Industry Sectors in Germany

In Germany, a variety of sectors originate and outsource consumer credit debt, including the banking, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors. As discussed below, some of these are mature, while others are developing and may become an increasing source of supply in the medium term.

- **Banking:** Debt consists of bank loans and typically includes mortgages, credit card loans, car loans, overdrafts and consumer loans. When such loans become generally more than 90 days overdue, they are categorized as NPLs. According to the Company Market Study, the receivables management market is highly sophisticated, with high barriers to entry, especially for international competitors not yet established in Germany. The German banking market is divided between "credit" banks, "savings" banks and "cooperative banks." Credit banks (*e.g.*, Deutsche Bank, Commerzbank) resort intensively to third party collections in their recovery process, while savings banks (*e.g.*, Sparkassen) and cooperative

banks (*e.g.*, Volksbanken and Landesbanken), which represent a substantial portion of the country's banking assets, typically utilize in-house collection facilities, resulting in potential headroom for growth in outsourcing and representing a possible growth opportunity for receivables management providers.

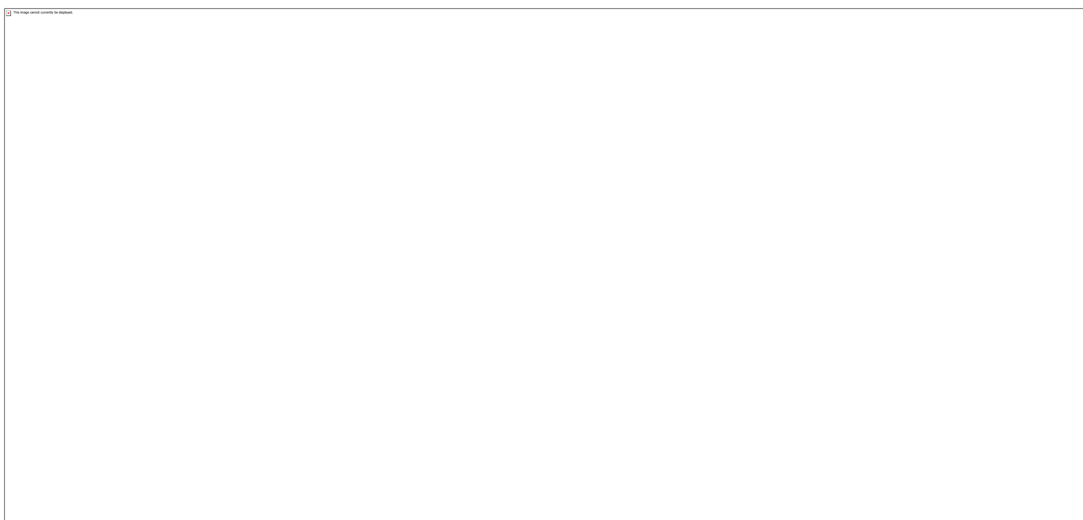
- **Insurance:** Debt is usually created due to failure to keep up with installment payments on insurance premiums. In the majority of cases, only third party collections and other services are possible because the German regulatory framework prohibits the sale of most types of debt in this sector. The insurance market is a mature market with a stagnating volume of debt and established players.
- **Retail:** Debt is generated by ordering on account when goods are received and an invoice is issued prior to payment. Retail debt usually relates to large purchases, such as appliances, furniture and clothing, rather than everyday items. Retail is a relatively consolidated market. Originators are served by a group of established large debt collection providers.
- **E-commerce:** Debt is created through online shopping when an item is delivered prior to payment and the invoice is payable on receipt of purchase. In Germany, customers typically want to receive purchased goods before paying for them. E-commerce is a rapidly growing sector (approximately 20% growth rate per year over 2009-2013) that has generated a substantial amount of new consumer debt and, consequently defaulted debt as well.
- **Telecommunications:** Debt is typically originated when contracts with minimum term installment are not paid or contracts are terminated prematurely. The main sources of telecommunications debt are cellular, broadband, landline and Pay TV invoices. The telecommunications market is a highly concentrated originator market. There is no clear receivables management services leader established in this market, which has led to ongoing price competition among debt collection agencies.
- **Fitness:** Debt consists of unpaid gym contracts. If the contract is paid in installment and the member defaults, the debtor is liable to pay for the full length of the contract. In general, the customer has to fail to make two monthly payments before either the entire remaining term or a percentage thereof becomes immediately due and payable.
- **Public Sector:** Public transport fines and unpaid TV licenses are the main sources of accessible debt. However, under applicable laws no debt purchase may take place and some debt cannot be serviced (even on a third party collector basis) due to judicial rulings and data protection laws and regulations. While typical public sector debt such as tax and housing payments are not currently being outsourced, recent regulations would permit the performance of ancillary services (*e.g.*, address checks) as long as responsibilities of public administration (*e.g.*, enforcement) remain unaffected. There is potential for growth in the public sector as the market is at an early stage and cities and government bodies are facing increasing cost and efficiency pressure and thus are starting to consider receivables management outsourcing. The Company Market Study expects the decentralized nature of public sector creditors to result in a fragmented competitive landscape.
- **Utilities:** Debt consists of unpaid heating, water, gas and electricity bills. Debt is only accessible if the account of the debtor is settled, the supply has been cut off and the contract is terminated, usually approximately five months after non-payment. Both large private utilities conglomerates and city-owned local operators are facing mounting pressure to reduce costs and improve efficiency overall, which may increase outsourcing rates in this sector.

The Receivables Management Industry in Germany

Debt Lifecycle

The debt recovery cycle in Germany consists of ongoing accounts receivables management, early stage recoveries (for debt approximately 45 days past due), defaulted debt collection and debt sale. Receivables management services companies participate throughout the recovery process, with activity in the sector being driven by underlying market growth (*e.g.*, default rates) and the propensity of creditors to use third party services. While some service providers have extended their value chain to cover risk management solutions, growth opportunities exist to extend these pre-accounts receivables management offerings to more debt originators.

Overview of the Unsecured Consumer Debt Recovery Cycle in Germany[1]



Source: Company Market Study

(1) Early stage recovery cycle in the banking sector is generally 90 days.

Receivables Management Services

The German credit origination market is highly fragmented and consists of many large corporates and smaller companies offering credit. Creditors tend to outsource the recovery of overdue debt given their lack of internal resources, the desire to focus internal resources on core activities and the, generally, better cost structure of receivables management companies. Receivables management companies provide the following services at the applicable stages of the debt recovery process:

- **Third party collections:** Defaulted debt portfolios are serviced by third parties for a fee. The legal ownership and balance sheet exposure remain with the originators. Debt collection agencies use a range of collection and contact techniques, including letters, phone calls, text messages, event campaigns and litigation to recover the outstanding debt. Litigation techniques are used when the debtor's ability to pay has been demonstrated but the debtor is unwilling to pay.
- **Debt purchase:** Defaulted debt portfolios are sold to third parties at a significant discount to the principal value of the debt. The legal ownership and balance sheet exposure are thereby transferred to the debt purchasers. Due to their scale, expertise, specialization and data capabilities, large debt purchasers can offer efficient defaulted consumer debt collection strategies to small creditors, making debt sale an attractive option for them. The decision of a creditor to sell defaulted consumer debt to a debt purchaser can occur at various stages of the life cycle of the debt. This generally depends on a number of economic and operational factors, such as the number of days since the last payment, the type of debt, pricing, balance sheet considerations, operational burden, the likelihood of successful in-house collection, accounting considerations and the attractiveness of short-term cash generation. There are two principal types of contracts for the purchasing of debt portfolios: spot sales and forward flow agreements. In a spot sale, a debt purchaser agrees to buy a portfolio of claims that it receives in one transaction upon payment. Spot sales are mostly conducted through auctions. In a forward flow agreement, a debt purchaser agrees to buy claims at a pre-defined price or price range for a given volume from a client on an ongoing basis.
- **Other receivables management services:** Before creditors extend credit to debtors, receivables management companies provide credit scoring and other forms of credit information services such as data extraction and modeling. Receivables management companies also provide payment processing services, including invoice administration, subsidiary ledger accounting, invoice printing, payment reminders and consumer checks related to the ability to make purchases on account. These services can be provided either before or after debt is overdue and, in certain cases, before the creditor-debtor relationship is first created (*i.e.*, before a consumer purchase takes place).

Size of the German Receivables Management Services Industry and Key Growth Drivers

Germany has one of the largest addressable defaulted consumer debt markets in Europe. This is illustrated by the following key features:

- **Largest consumer credit market in Europe:** In 2013, there was approximately €310 billion of unsecured consumer credit newly created in the German market, which the Company Market Study estimates is the largest unsecured consumer debt market in Europe. Germany also benefits from having one of the most stable economic outlooks in Europe, with steady GDP growth and contained unemployment levels supporting a steady extension of consumer credit.

Flow of Unsecured Consumer Debt in the German Market and Revenue Potential for Receivables Management Companies in € billion (2013)[1]

Source: Company Market Study

(1) Interests and additional fees are included in the revenue conversion rate.

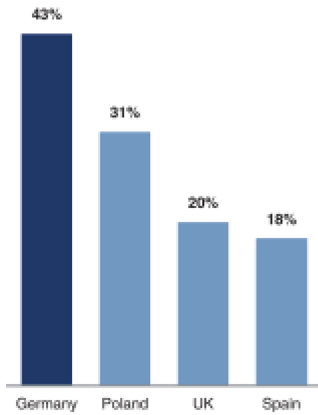
(2) Defaulted debt is debt that is unpaid after 45 days after the payment due date.

(3) Principal value not captured by third parties includes discounts, principal value not collected and collections paid back to originator.

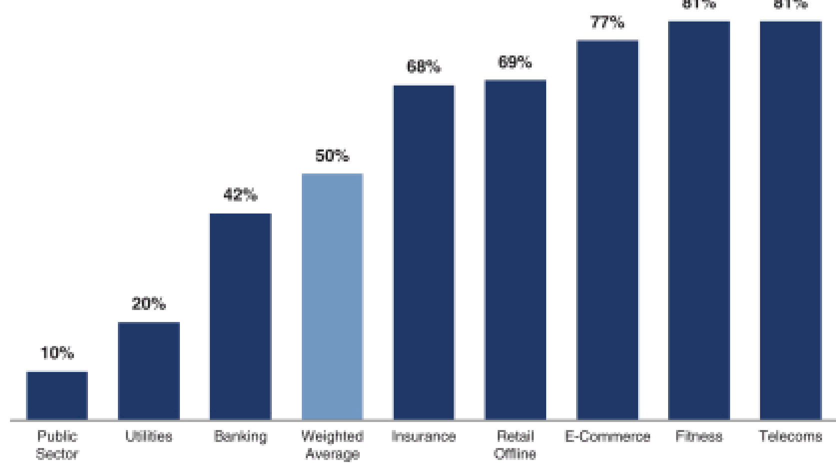
- **Low default rate:** Germany has a low default rate compared to other countries in Europe, with approximately 3% default rate for unsecured consumer debt in 2013, reflecting a culture of debt repayment by borrowers and the resilience of the economy to macro cycles.
- **Large volumes of defaulted debt:** Germany boasts a large flow of unsecured defaulted consumer debt being created each year, with approximately €9.5 billion in 2013. Of the €9.5 billion of defaulted consumer debt, approximately €6.5 billion is from the financial services and insurance industries, with the remaining €3.0 billion from other industries including telecommunications, retail, e-commerce and public sectors.
- **High outsourcing:** According to the Company Market Study, outsourcing rates in 2013 were estimated to be approximately 50% of unsecured defaulted consumer debt but with certain variations by sector. There is a high propensity to outsource early in the credit cycle (*i.e.*, after the due date, but before the debt becomes 45 days (generally 90 days in the banking industry) overdue) across various sectors due to the limited presence of in-house collection operations at originators.

High Propensity to Use External Providers in Germany (2013)

Usage of DCAs by companies



Percentage of Defaulted Debt Outsourced (2013)

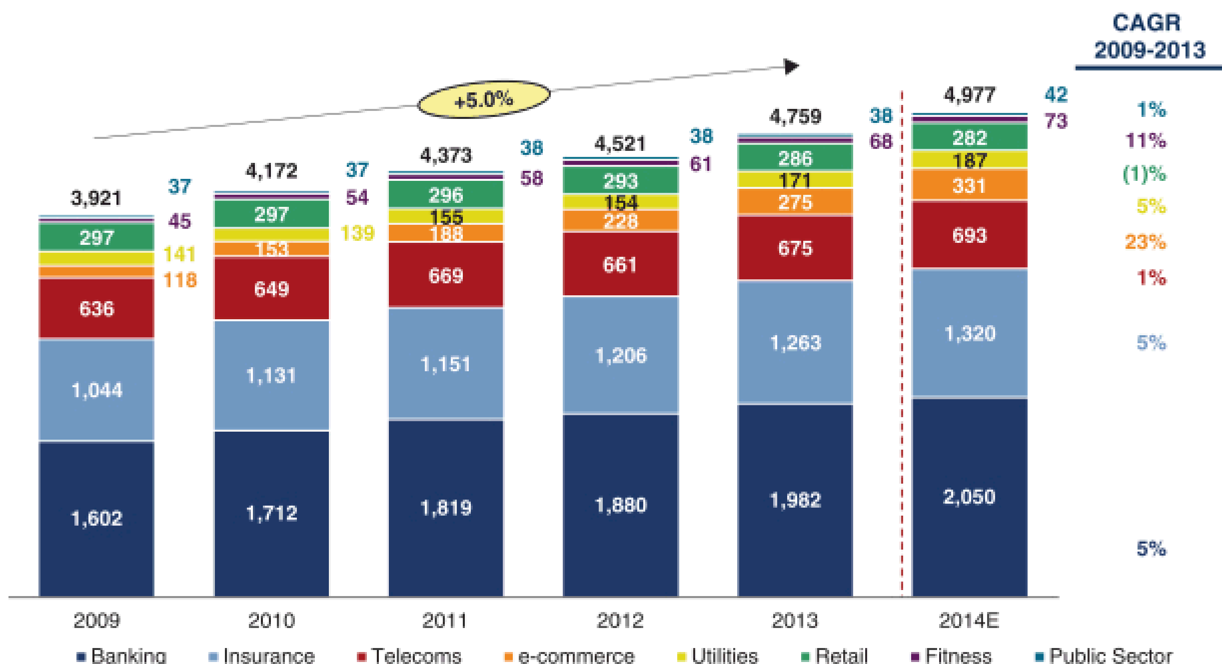


Source: Company Market Study.

Together, these features of the German consumer credit market create a very large market for debt collection and debt purchase. According to the Company Market Study, the principal value of newly created unsecured and defaulted consumer debt was approximately €9.5 billion as of December 31, 2013, with an estimated €4.8 billion of principal value collected serviced in-house and an estimated €4.8 billion principal value outsourced to third parties. Overall, a revenue potential of €1.7 billion for receivables management companies existed in 2013.

The banking industry is the largest originator, accounting for an estimated €2.0 billion in principal value of outsourced defaulted debt and approximately €0.6 billion of outsourced debt revenue potential in 2013. The insurance sector accounted for an estimated €1.3 billion principal value of outsourced defaulted debt and approximately €0.6 billion of outsourced debt revenue potential in 2013. The aggregate outsourced principal value of newly defaulted consumer debt coming to the market each year has grown by 5.3% from 2009 to 2013 for debt purchasing and by 4.6% for third party collections and services. Third party collections and services accounted for approximately €2.3 billion of aggregate outsourced principal value of defaulted consumer debt in 2013, which, according to the Company Market Study, translated into around €1.0 billion revenue potential, and debt purchasing accounted for an estimated €2.4 billion of aggregate outsourced principal value of defaulted consumer debt, which, according to the Company Market Study, translated into €0.8 billion revenue potential in 2013.

Outsourced Defaulted Debt by Sector, 2009-2014[1]



Source: Company Market Study.

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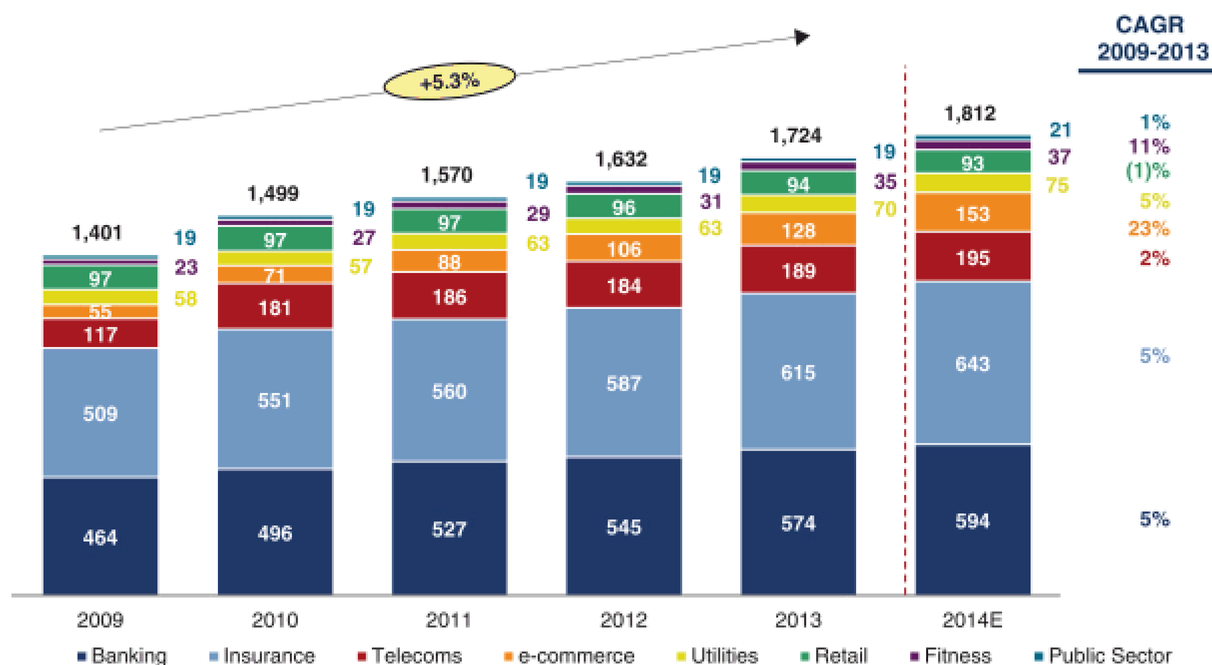
Outsourced Defaulted Debt Revenue Potential by Sector, 2009-2014 [1]



Source: Company Market Study and related analysis.

(1) The sums of the component industries may not add up to the yearly total figures due to rounding. Revenue figures are based on information we received from external sources or estimated internally based on the information available from external sources. Revenue recognition policies may differ among CMS companies and therefore the revenue figures may not be comparable.

Market Growth Dynamics

According to the Company Market Study, "Tier I" debt collection companies with revenues of more than €100 million have outpaced broader market growth, growing at an annual rate of approximately 12% to 15% between 2011 and 2013. "Tier II" players, which comprise companies with revenue in the €10 million to €100 million range, have grown at a lower rate, with a representative sample of companies with revenue in the €30 million to €100 million range having grown at approximately 6% annually and a comparable sample of companies with revenue in the €10 million to €30 million range having grown at 1% annually. The Company Market Study estimates the outsourced consumer NPL market is set to grow at approximately 4% per year in Germany over the next five years. See "*—Competitive Landscape and Dynamics.*"

The Company Market Study expects Tier I players to continue to outperform the market and their smaller peers as they have a broader activity range and better reputation, leading to access to larger portfolios, which in turn results in improved pricing data, leading to optimized recovery rates. Tier I players are materially advantaged in the following ways:

- **Strong corporate relationships and vendor access:** Tier I players hold a strong track record in providing a full service proposition, leading to relationship longevity.
- **Ability to invest in strong analytical tools and data capabilities:** Tier I players benefit from sophisticated bespoke IT systems, which drive optimized pricing, improve compliance with legal requirements and help maximize collection efficiency advantages.
- **Access to funding and financial resources for debt acquisition:** Tier I players have access to funding from multiple sources at attractive rates.

As a result, larger players benefit from a variety of factors that set them apart from the smaller-scaled competitors and offer them a stronger outlook for profitable growth.

The following factors present the growth dynamics of the receivables management industry:

- **Continued expansion of overall unsecured credit:** Ongoing origination of consumer credit and consequently non-performing loans. The Company Market Study expects a market growth rate of 0.6% per year between 2014 and 2018.

- **Broadly stable default rates:** Default rates are expected to remain relatively stable over the coming years. According to the Company Market Study, default rates in Germany were at approximately 3% in

2013. The combination of continued expansion of overall unsecured credit and stable default rates is expected to further increase the volume of debt coming to default each year.

- **Increased collections outsourcing and debt sales:** There are various growth opportunities arising from small and medium-sized enterprises ("SMEs"), and large companies and certain sectors with limited current use of third party services (*e.g.,* the public and utilities sectors). In particular, SMEs that still use staff dedicated to run collection activities may consider outsourcing opportunities because of cost benefits, improved collection rates and the professional approach to collection provided by receivables management companies. Furthermore, within large companies across all relevant sectors, there is an ongoing shift towards replacing in-house departments with third party outsourcing services.

Indeed, there are strong potential benefits for creditors in further outsourcing their collection activities:

- **Financial benefits:** When they outsource debt collection services, originators generally benefit from higher collections than they could otherwise achieve, even net of commission payments. The IT systems, data reconditioning capabilities and debt collection capacity of individual creditors are usually constrained. The efficient collection of defaulted consumer debt requires a specific set of skills that receivables management companies have built up over time. Larger receivables management companies, in particular, have greater scale and better access to data, which allows them to be effective collectors of consumer debt relative to creditors. In addition, larger receivables management companies have sophisticated tracing skills to contact customers and have late stage debt collection strategies that might be unavailable to creditors. Furthermore, debt sales result in earlier cash flow and reduced administration costs, compared to in-house processing costs (letters, calls, payment processing).
- **Non-financial benefits:** By outsourcing collections to third parties, originators no longer need to maintain a large in-house collections team, and less management attention is needed on what is typically a non-core activity. Third party collections provide greater consistency of debtor handling, and a better audit trail in the event that complaints arise.

Regulatory Framework

The legal framework in Germany allows creditors to use a variety of collection methods to support the consumer debt recovery process. Once a debt collection agency is engaged by creditors, certain fees can be added to the principal value of the debt. If creditors or their agents need to use more complex processes to recover the debt owed, the law provides that creditors can add additional fees and costs incurred during the collections process.

As part of the creditor's default damage, servicer fees of a debt collection company can be charged to the debtor up to the amount of fees a lawyer could charge pursuant to the German Lawyer Remuneration Act (*Rechtsanwaltsvergütungsgesetz*). Similarly, costs in connection with the subsequent retention of external lawyers are frequently passed on to the debtor.

The recovery process is typically longer than in peer markets, as debt is generally considered defaulted after 45 days (generally 90 days in the banking industry) and originators tend to outsource it earlier than in their peer markets. Therefore, receivables management companies have access to "fresher" debt. Unlike in peer markets, in Germany debt can be serviced for a period of 30 years (after obtaining an enforcement title) following the creation of the debt (or longer in certain cases). For some players, a significant portion of total collections comes from debt that is older than 10 years.

The debt collection services industry in Germany is not a regulated activity with its own regulator, but is supervised by the Higher Regional Court in the region in which the debt collection activity is located. The supervision of debt collection companies and their activities is governed by a number of key laws: the German Legal Services Act (*Rechtsdienstleistungsgesetz—RDG*), the Introductory Act to the German Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz—RDGEG*) and the Implementing Regulations to the German Legal Services Act (*Verordnung zum Rechtsdienstleistungsgesetz—RDV*).

The law against dubious business practices for receivables management companies (*Gesetz gegen unseriöse Geschäftspraktiken—GguG*) came into effect in Germany in October 2013. The law governs the way debt collection fees payable by debtors should be calculated and introduced more stringent requirements relating to transparency, including as to what information must be provided to a debtor during the debt collection process. We believe this development reflected the way that the largest players already operated and increased the burden on smaller businesses, accelerating the sector's consolidation.

Debt collecting agencies must register under the German Legal Services Act to be permitted to carry out debt collection services. Supervision is effected through the court system. The identity of the applicable court is typically dependent on the region in which the debt collection company is headquartered. The Higher Regional Courts (*Oberlandesgericht*) of Düsseldorf, Hamm, Cologne and Brandenburg are the competent authority for the GFKL Group.

Unique Attractions of the German market

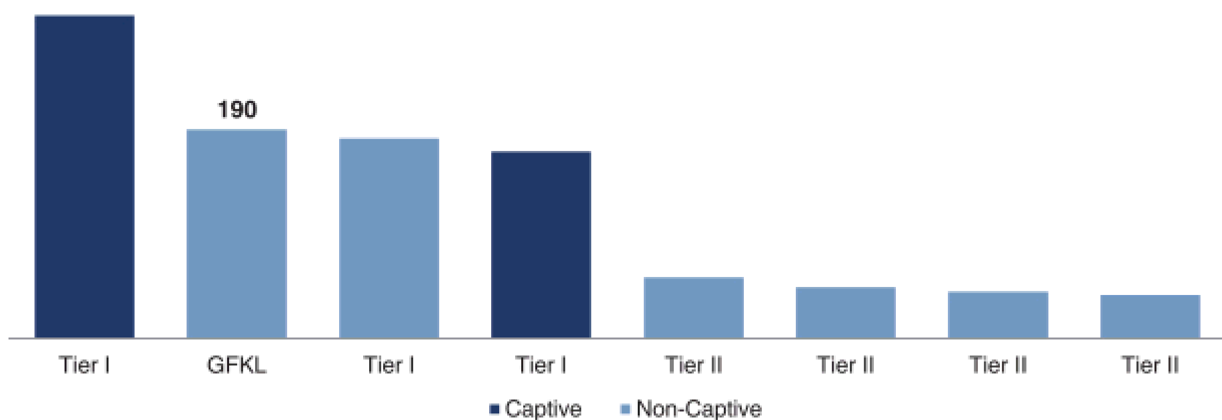
- **Stable and strong economy with a strong growth outlook:** Germany has been experiencing strong and positive real GDP growth since 2010, and low unemployment relative to other European economies. The stability and strength of the economy support increased investments and borrowing.
- **Supportive environment for outsourced receivables management services:** Due to the limited in-house resources of many creditors in Germany, receivables management companies benefit from a large supply of outsourced debt. Furthermore, the number of potential debt collectors chosen by a specific company tends to be small (on average one to three collectors according to the Company Market Study) for third party collections and services, providing an opportunity to build partnership-like relationships with creditors early in the recovery cycle.
- **Wide range of revenue opportunities and longer time to work on debt:** Debt is outsourced relatively early through business process outsourcing services prior to the due date, and outsourced collections and debt sales generally start 45 days after the respective due dates of the obligations. Furthermore, it is possible to engage in long-term monitoring to identify potential solvency changes of debtors for up to 30 years (and, in some cases, for a longer period) in line with the applicable statute of limitations. Earlier access to debt and longer-term monitoring provide wider opportunities to capture fees and allow for more time to recover debt. This "fresh" debt typically is of higher quality and has higher collection expectations, because less work has been applied to the assets to obtain customer payments.
- **Cultural attitudes towards debt repayment:** The propensity to use debt for payments in Germany is substantially smaller compared to other European countries, with buyers preferring cash and debit cards. The low comparative usage of credit in Germany could be driven by the additional fees charged to defaulted debtors as well as cultural attitudes towards indebtedness. As a result, consumers who do incur debt are generally more likely to want to repay it when able to do so.

Competitive Landscape and Dynamics

With approximately 600-900 players, the German receivables management services market is highly fragmented. Players can be generally distinguished by service activity and sector focus. A small group of four Tier I players including EOS (part of the Otto Group), GFKL, Creditreform and Arvato (part of the Bertelsmann Group) is significantly larger by revenue than the other players in the market and was estimated to represent about 40% of the overall market by revenue in 2013.

Tier II players generally focus on one or two industries or are the German subsidiaries of international receivables management corporations. SME players typically have a regional focus and serve smaller customers, often only in the third party collections and services business.

Ranking of Key Players by Revenue (2012/2013, € million)

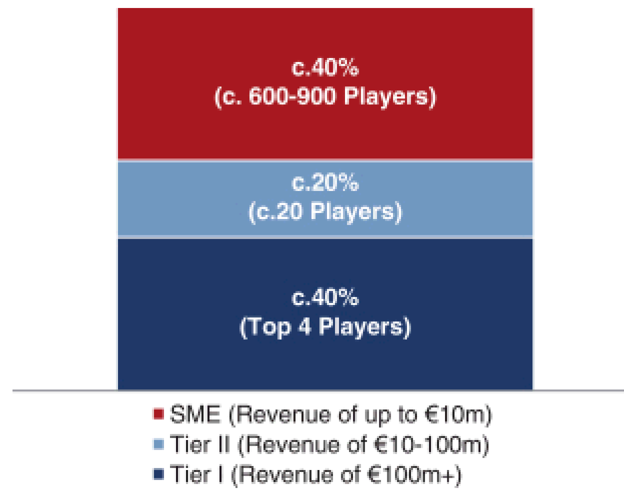


Source: Management estimates, Company Market Study.

Revenue figures are based on information we received from the Company Market Study or estimated internally based on the information available from external and other sources. Revenue recognition policies may differ among receivables management companies and therefore the revenue figures may not be comparable. In addition, our competitors' businesses are subject to various legal requirements that may not be applicable to us and the rules and regulations we follow on revenue recognition may not apply to our competitors. We have not independently verified the accuracy or comparability of our competitor's revenue

figures or our estimates thereof and potential investors should exercise caution with respect to comparative revenue figures presented in this Offering Memorandum.

Overview of the Receivables Management Industry by Number of Companies



Source: Company Market Study.

OUR BUSINESS

Overview

We are the number one non-captive receivables management company and one of the top-four receivables management companies in Germany by 2013 revenue according to the Company Market Study. We specialize in third-party collections, debt purchase and the provision of value-added services for unsecured consumer debt. We provide debt collection services to, and acquire portfolios of overdue debt from, our clients, which are primarily corporate originators of consumer credit. We are a non-captive company, which means the debt which we are servicing stems from originators outside our Group. As of December 31, 2013, we held market-leading positions in the insurance and fitness sectors and top-five positions in the banking, retail, e-commerce, telecommunications and public sectors, as well as a top 10 position in the utilities sector in Germany measured by 2013 revenue. For the year ended December 31, 2014, we generated revenue of €243.8 million and Adjusted EBITDA of €66.5 million. For the twelve months ended March 31, 2015, we generated revenue of €250.9 million and Adjusted EBITDA of €72.6 million. For a discussion of how we define Adjusted EBITDA please see "*Presentation of Financial and Other Information*."

We provide our clients with a comprehensive approach to receivables management, including:

- *Third-Party Collection Services*. We provide debt collection and other receivables management services that are tailored to our clients' needs to help them improve cash flows from the recovery of outstanding balances from their debtors. Our offering covers all stages of the debt collection process, from amicable collections to litigation, enforcement and long-term monitoring. In addition, we provide our clients with a range of value-added services, including payment and risk management solutions, e-commerce solutions and data information services. These value-added services generally help us get involved earlier in the debt recovery process and ultimately build stronger relationships with our clients. They complement our core service offerings and differentiate us from competitors when it comes to new business opportunities. We also have a successful track record of carving out and acquiring our clients' existing in-house debt collection operations, including staff transfers, in exchange for multi-year collection agreements. For the twelve months ended March 31, 2015, 57% of our revenue was generated from our third-party collection services business, excluding lawyer service revenue and other services revenue (other services revenue is shown as "other" in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the 2014 Audited Consolidated Financial Statements). Lawyer service revenue is excluded as we typically earn service revenue from lawyers only where we have engaged such lawyers to assist with our collection efforts, however, this revenue does not have a positive impact on our Reported EBITDA or net income as the fees we pay to the lawyer are higher than the related service revenue we earn.
- *Debt Purchase*. We acquire unsecured, non-performing and defaulted debt portfolios from our clients, generally at a discount to the principal value of the debt, except for a small amount of debt that we purchase at face value through our PayProtect service. We use a market-standard approach to pricing debt portfolios, which, together with our collection effectiveness, has enabled us to achieve actual collections on our purchased debt portfolios that have exceeded our projected recoveries. As of December 31, 2014, our Gross Collections since September 30, 2003 cumulatively exceeded the original forecast generated at the time of purchase by 21%. In our debt purchase business, we have been successful in engaging our clients in "forward flow agreements" in which we have agreed to purchase an amount of NPLs over a defined period of time at a pre-agreed price. As of December 31, 2014, 36% of our purchased portfolios were acquired in forward flow agreements, representing €106 million in debt purchased since September 30, 2003. Between September 30, 2003 and December 31, 2014, we have invested €296 million to acquire debt portfolios with an aggregate principal amount outstanding at the time of purchase (this amount may include accrued interest and fees at that time) of €3.2 billion. Over the same period, our Gross Collections were €610 million from our purchased portfolios, representing 2.1x our aggregate investment over more than 11 years, and had gross estimated remaining collections over a 180-month period of €452 million, generating a Gross Money Multiple of 3.6x on a cumulative basis. The Gross Money Multiple represents the total expected cash return from purchased debt portfolios, calculated as the sum of Gross Collections achieved from September 30, 2003 to December 31, 2014 and ERC divided by the purchase price. For the twelve months ended March 31, 2015, 43% of our revenue excluding lawyer service revenue and other services revenue was generated from our debt purchase business (other services revenue is shown as "other" in the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the 2014 Audited Consolidated Financial Statements).

We operate a balanced, diversified business model, which we believe enables us to allocate resources efficiently and opportunistically between our third-party collection services and debt purchase businesses in

response to changing market conditions (such as limited availability of debt for purchase), and provides us with substantial operational synergies. In particular, our debt collection clients are a significant source of origination for our debt purchase business and our debt purchase business benefits from the extensive expertise of our third-party collection services business to collect debt on our purchased portfolios. Our expertise in debt collection also enables us to price our purchased debt portfolios more effectively and maximize collections. Furthermore, the operation of both businesses and our diversification across various industries increases our ability to scale our business and supports the maintenance and expansion of our operating platform, analytical capabilities and skilled professional staff. For the twelve months ended March 31, 2015, our third-party collection services business generated 53% of its revenue from the insurance sector, with 12%, 11% and 7% derived from the telecommunications, banking and retail sectors, respectively. In the same period, our purchased debt business derived 31%, 25%, 11%, 9% and 7% of its revenue from the retail, financial services, telecommunications, fitness and insurance sectors, respectively. We boast a high visibility on our future revenue, underpinned by our long-term servicing contracts and sizeable number of portfolios of purchased debt. Out of the €243.8 million of revenue we generated in 2014, we estimate €210.1 million or, 86.1%, was realized through contractual arrangements in place as of January 1, 2014.

Several of our competitors operate as debt purchasers only, whereas others solely provide collection services. We believe our balanced business model is a competitive advantage over peers that operate only in one area. Our third-party collection services business, generally, does not require us to source capital financing or add risk to our balance sheet for defaulted debt (except for where we guarantee that we will successfully collect a certain percentage of the outstanding principal amount of claims), while our debt purchase business leverages our collection expertise and knowledge of debt portfolios to potentially earn higher margins and returns. We believe that our balanced business model and complementary revenue streams have contributed to our strong historical financial performance.

We provide creditors with a comprehensive overdue and defaulted debt services offering, thereby providing our clients with a holistic approach throughout the debt recovery process. We have long-standing relationships with a diversified client base, including more than 25 large, well-known companies and several thousand SMEs as well as other leading clients in the banking, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors.

In 2014, we won a number of new clients, of which 26 were large, well-known companies and more than a thousand were SME clients. In the first three months of 2015 alone, we won 16 large, well-known companies as new clients. Our top 10 clients across our two core business lines accounted for in aggregate 72% of our third-party collection services and debt purchase revenue for the year ended December 31, 2014, and approximately 91% of the face value of our purchased debt portfolios were acquired from repeat clients. A repeat client is a client, in our third-party collection services business, with whom we have had a contractual relationship for at least one year and, in our debt purchase business, with whom we have concluded a forward flow agreement. As of December 31, 2014, seven of our top ten existing clients, had been with us for at least three years. In addition, 74% of our revenue for the year ended December 31, 2014, was generated from clients (including former clients) with whom we had already established a relationship as of 2010. In the year ended December 31, 2014, we further formalized the strength of our client relationships by extending the average term of new contracts with large, well-known clients to 2.3 years, an increase from 1.7 years in 2013.

As of the date hereof, we operate exclusively in Germany, which is the largest consumer credit market in Europe according to the Company Market Study. The Company Market Study also estimates that as of December 31, 2013, Germany had approximately €310 billion of total unsecured consumer debt outstanding, including €9.5 billion of consumer defaulted debt. We believe Germany's recent economic improvements, including steady GDP growth, low unemployment rates and increasing net disposable income levels per capita in the years following the financial crisis of 2008-2009, together with a strong culture of repayment and creditor-friendly laws and regulations that encourage the settlement of defaulted debt, provide for a favorable environment for strong receivables management performance.

Further, we believe market conditions in Germany increasingly favor larger, more sophisticated receivables management companies, as smaller players in the debt collection market face increasing challenges, including limited access to funding for debt acquisition and high costs associated with the development and implementation of sophisticated IT systems required to comply with the latest regulatory demands in the receivables management industry. According to the Company Market Study, in 2014, "Tier I" debt collection companies with annual revenue of more than €100 million have outpaced broader market growth, growing at an annual rate of approximately 12% to 15% between 2011 and 2013. "Tier II" players, which comprise companies with annual revenue in the €10 million to €100 million range, have grown at a lower rate, with a representative sample of companies with annual revenue in the €30 million to €100 million range having grown at approximately 6% annually and a comparable sample of companies with annual revenue in the €10 million to €30 million range having grown at 1% annually. The Company Market Study estimates that the overall outsourced consumer NPL market is set to grow at approximately 4% per year in Germany over the

next five years. We expect this trend to continue, with increased growth opportunities for Tier I companies, primarily through organic growth as well as the acquisition of smaller competitors.

As a result of our favorable position in an attractive market and our leading practices and services, we have enjoyed a strong record of returns, growth and improved profitability. For example, from 2012 to 2014, our revenue and Adjusted EBITDA grew at a compound annual growth rate ("**CAGR**") of 24.6% and 17.5%, respectively.

As of December 31, 2014, we employed 801 full-time equivalent employees, representing 965 individual employees, operating in 12 locations throughout Germany (with one additional location added as of March 31, 2015), including our headquarters in Essen. Our receivables management teams, which consist of 698 FTEs as of December 31, 2014, are located at each of our major operating centers.

Illustrative Economics

- In our third-party collection services business, we manage overdue claims on behalf of our clients. As of December 31, 2014, we had €11.4 billion of third-party debt under management, which generated €86.6 million of revenue for the year ended December 31, 2014;
- In our debt purchase business, we acquire portfolios of defaulted debt from clients, typically at a discount to the outstanding principal value. The principal value at the time of purchase of our purchased debt acquired between September 30, 2003 and December 31, 2014 amounted to €3.2 billion. The purchase price totaled €296 million or 9% of principal value on average for debt purchased between September 30, 2003 and December 31, 2014. Based on our Gross Collections as of December 31, 2014 and ERC projections, we expect to collect 3.6x the purchase price over the next 15 years on the portfolios that we owned as of December 31, 2014.

The following table provides an overview of our business model and illustrative economics as of and for the year ended December 31, 2014.

<table>
<tr><th></th><th colspan="3">Third-Party Collection Services</th><th colspan="3">Debt Purchase</th></tr>
<tr><td>Business Model</td><td colspan="3">Activity: Manage portfolio of overdue claims on behalf of clients.
Objective: Maximize cash flows for clients through a variety of collection techniques.</td><td colspan="3">Activity: Acquire portfolios of overdue claims from clients at a discount to the outstanding principal and manage such claims.
Objective: Maximize cash flows and return on investment by using a variety of collection techniques.</td></tr>
<tr><td>Key Economics as of and for the year ended December 31, 2014, respectively</td><td colspan="3">Third-Party Debt under Management ....€11.4 billion
Collections .... €262 million
Revenue ....€86.6 million
Revenue as a Percentage of Collections .... 33%</td><td colspan="3">Principal Value of Purchased Debt[1] ....€3.2 billion
Total Price Paid as % of Principal Value 9.0%
Portfolio Purchase Price ....€296 million
Gross Collections....................€610 million
ERC ....€452 million
Gross Money Multiple[2]....................3.6x
IRR (net of direct costs)[3]....................32%
Years to Break Even (gross basis)....................<2.0</td></tr>
<tr><td rowspan="3">Revenue[4]</td><td colspan="3">For the year ended December 31,</td><td colspan="3">For the year ended December 31,</td></tr>
<tr><td>2012</td><td>2013</td><td>2014</td><td>2012</td><td>2013</td><td>2014</td></tr>
<tr><td>€66.2 million</td><td>€77.1 million</td><td>€86.6 million</td><td>€51.3 million</td><td>€61.4 million</td><td>€67.6 million</td></tr>
</table>

(1) Principal value of purchased debt is calculated as the principal amount that may include accrued interest and fees at the time of purchase of debt portfolios since 2003.

(2) Total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved from September 30, 2003 through December 31, 2014 and ERC divided by purchase price.

(3) IRR (net of direct costs) is calculated as the unlevered rate of return based on rebased collections (actual collections plus ERC) to 180 months net of cost to collect. Cost to collect means the direct costs related to the collection activities on purchased debt portfolios, such as staff expenses of employees allocated to collection activities on purchased debt portfolios, credit bureau data costs and legal costs associated with collections.

(4) Excludes revenue from lawyer services and other services (other services revenue shown as "other" in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the 2014 Audited Consolidated Financial Statements). The revenue from lawyer services was €39.5 million, €51.9 million and €87.9 million in 2012, 2013 and 2014, respectively. As we typically earn service revenue from lawyers only where we have engaged such lawyers to assist with our collection efforts, the service revenue from lawyers does not have a positive impact on our Reported EBITDA or net income as the fees we pay to the lawyer are higher than the related service

revenue we earn. The revenue from other services was €0.0 million, €0.0 million and €1.7 million in 2012, 2013 and 2014, respectively.

Our Key Strengths

Attractive German Market Fundamentals Supporting Growth and Profitability

We operate exclusively in Germany, which is the largest unsecured consumer credit market in Europe, with approximately €310 billion of unsecured consumer credit as of December 31, 2013. Due to the large amount of consumer debt outstanding and despite low consumer default rates, Germany is one of the largest consumer NPL markets in Europe with approximately €9.5 billion of unsecured defaulted consumer debt for the year ended December 31, 2013 according to the Company Market Study. We also believe it is one of the most stable consumer markets due to the currently relatively positive macroeconomic conditions in Germany, including Germany's steady economic conditions, low interest rates, decreasing unemployment rates and low inflation.

We believe there is a strong repayment culture in Germany and creditor-friendly laws and regulations. The creditor-friendly legal system in Germany provides for enforcement through multiple routes and provides support for receivables management companies while also encouraging repayment by debtors. Creditors have a long enforcement period against debtors as the statute of limitations to apply for and obtain enforcement title against debtors is generally three years and, once obtained, the enforcement title is valid for 30 years. Further, under German law, creditors generally are entitled to charge to the debtor a number of additional amounts as damage caused by the delay of payment, including default interest, third-party collection services costs and legal costs. Furthermore, German laws and regulations have steadily increased fees for lawyers, which has in turn increased fees for receivables management companies. We believe this trend has increased the incentive for individuals to settle defaulted debts. We believe the currently stable economic conditions in Germany and a creditor-friendly legal system that encourages the settlement of defaulted debts have created a favorable environment for strong debt collection performance.

A diverse range of German businesses originate and outsource consumer credit, which we believe contributes to strong growth opportunities and a diversified customer base. German creditors from industries including banking, fitness, retail and telecommunications use a range of collection methods to support the consumer debt recovery process and typically outsource receivables collections. For example, according to the Company Market Study, in 2013 less than 26% of German consumer creditors relied solely on in-house staff for debt collection, while the majority of businesses outsourced debt collections to law firms or debt collection agencies. We believe that this will be a continuing trend in several sectors where, currently, in-house collection continues to be prevalent, resulting in growth opportunities for debt collection companies. According to the Company Market Study, the average outsourcing rate in 2013 was approximately 50%, albeit with significant variation by industry, from 10% in the public sector to over 80% in the telecommunications sector. Between 2009 and 2013, it was estimated that the increased propensity to outsource drove approximately three quarters of the growth in the German debt collection market. We believe the proportion of German companies that outsource receivables collections will continue to increase as outsourcing provides an attractive value proposition for many companies. For example, outsourcing the collection process to third-party agents provides companies with a number of benefits including cost reductions due to reduced administrative and labor costs, improved collection rates and a more professional approach to debt collection. Further, outsourcing the debt collection process provides the additional benefit of reducing management time devoted to what is typically a non-core activity and provides additional consistency in debt handling with a more robustly documented audit trail.

The Largest Non-captive Receivables Management Company in Germany

We are the number one non-captive receivables management company and one of the top-four receivables management companies in Germany by 2013 revenue according to the Company Market Study, with benefits of scale and diversification that we believe give us a significant competitive advantage in a fragmented market. The German receivables management market is highly competitive and currently includes approximately 900 competitors, although four firms, including the GFKL Group, represented approximately 40% of the market by revenue in 2013. By leveraging our existing scale, superior operating platform, comprehensive service offering, diversified sector expertise and extensive client base, we believe that we are well-positioned to capture a significant and growing market opportunity for third-party receivables management in Germany.

Further, we believe the scale of our market-leading services and product offerings better positions us to pursue multiple growth opportunities. For example, our diversified, full-service platform provides a "one-stop-shop" receivables management solution for our clients, with a wide range of services throughout the debt collection value chain, including outsourced collection services, purchases of debt portfolios and other receivables management services. In addition, our diversified business model provides tangible cross-selling opportunities with existing and new clients, which we believe benefit from the convenience and cost

effectiveness of our comprehensive receivables management solutions. Our scale also allows us to provide a superior operating platform, with highly skilled talent, bespoke IT systems and sophisticated analytical and data capabilities that drive pricing and debt collection efficiencies.

We believe that large players with established receivables management practices are better suited to cover multiple sectors, service large, well-known companies and provide a comprehensive suite of cost-effective and efficient debt collection services that adhere to the highest compliance and regulatory standards. This belief is supported by the Company Market Study, which found that Tier I debt collection companies, such as GFKL, with revenue in excess of €100 million have outpaced broader market growth, growing at an annual rate of approximately 12-15% revenue growth between 2011 and 2013, compared to approximately 6% annually for a representative sample of Tier II companies with revenue in the €30 million to €100 million range and 1% annually for SME companies with revenue of between €10 million and €30 million. The Company Market Study estimates the outsourced consumer NPL market is set to grow at approximately 4% per year in Germany over the next five years. We believe that our scale allows us to explore opportunities to expand through acquisitions of other receivables management companies. We have a proven track record of integrating acquired companies into our corporate structure in order to maximize efficiency and value to our clients. As the industry matures, scale and sophistication become increasingly important differentiating factors which foster further consolidation.

Diversified Business Model with a Strong Position Across Sectors

We operate a balanced, diversified business model, with 57% and 43% of revenue (excluding lawyer service revenue and other services revenue) in the twelve months ended March 31, 2015 generated from our third-party collection services and debt purchase businesses, respectively (other services revenue is shown as "other" in the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the 2014 Audited Consolidated Financial Statements). We also generate revenue from a broad client base across a number of diverse business sectors, including the banking, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors. For the twelve months ended March 31, 2015, our third-party collections services business generated 53% of its revenue from the insurance sector, with 12%, 11% and 7% derived from the telecommunications, banking and retail sectors, respectively. For the same period, our debt purchase business derived 31%, 25%, 11%, 9% and 7% of our revenue from the retail, banking, telecommunications, fitness and insurance sectors, respectively.

We believe that our diversified business model increases our strategic flexibility by enabling us to efficiently and opportunistically allocate resources to our third-party debt collection or debt purchase businesses in response to changes in market conditions. For example, during competitive pricing periods for debt portfolios, we are able to focus resources on our third-party debt collection business. Similarly, our broad sector exposure allows us to allocate capital efficiently across industries to benefit from divergent industry dynamics in reaction to changes in the overall market. In addition, we believe that our ability to be nimble, to foster cross-selling and to further embed ourselves in our clients' receivables management value chain is critical to our success.

Our diversified business model gives us the ability to generate complementary revenue streams, and we also benefit from operational synergies. For example, our debt collection clients are a significant source of origination for our debt purchase business. Our expertise in debt collection also enables us to consistently improve our pricing accuracy on purchased debt portfolios and maximize recoveries. We believe that one of our competitive advantages is our improved ability to price debt portfolios accurately based on information contained in our extensive historical database. Furthermore, the operation of both our debt collection and debt purchase businesses increases our ability to scale our business and supports the maintenance and expansion of our operating platform, analytical capabilities and skilled professional staff.

Strong Client Relationships Providing Repeat Business and High New Business Win Rates

We benefit from strong, long-standing client relationships, many of which are with large companies that are well known to the public, across a broad range of industries. Our strong client relationships are evidenced by the fact that we have worked with many of our key clients for at least three years. For the year ended December 31, 2014, our top ten clients across our two core businesses accounted for in aggregate 72% of our third-party collection and debt purchasing revenue, and approximately 91% of the face value of our purchased debt portfolios was acquired from repeat clients. In addition, 74% of our revenue for the year ended December 31, 2014, was generated from clients with whom we had already established a relationship as of 2010. We believe these strong relationships with our clients have provided us with both a steady stream of business and revenue visibility.

In addition to maintaining long-standing relationships with our clients, we have enjoyed a strong track record of gaining new business. From January 1, 2013 to December 31, 2014, we achieved an increase of 45% in

new business receivables under contract based on the face value of debt outstanding, including fees and other charges, and our average fixed new business contract length for large, well-known clients increased from 1.7 to 2.3 years. We continue to attract new clients, especially large, well-known companies, adding 20 such companies in 2012, 23 in 2013, 26 in 2014 and 16 in the first quarter of 2015.

Our multi-disciplinary sales teams are focused on developing client- and sector-specific skills to maximize business renewals and generate new business. We have a centralized sales force dedicated to our larger clients and specialized internal and external sales teams specialized in specific business sectors where we anticipate the greatest potential to generate increased revenue in the future.

Well Invested and Scalable Operating and IT Platform with Substantial Financial Benefits

We believe our focus and investment in improving our operating platforms and IT systems have provided us substantial benefits ranging from increased productivity and reduced costs to providing our clients with a wider variety of more effective debt collection solutions. For example, we centralized our mailing, archiving and scanning functions across all of our operations when we opened our GFKL Service Center in 2013. Since opening the center, we believe there has been an increase in onboarding and mailing productivity. In 2014, the center printed approximately 8.4 million pages and scanned more than 2.7 million new documents, while hosting more than five million files. From 2013 to 2014, our average calls per FTE (as of the respective year end) based on five call centers increased by 17.2%. From 2012 to 2014, our Gross Collections from third-party collection services per FTE (from continuing operations) as of the respective year end increased by 12.9%, and we improved our revenue per FTE (from continuing operations) as of the respective year end in continuing operations by 66.0%. We have also implemented a modern SAP-based enterprise resource planning system and backup data center. In the period between January 1, 2011 and December 31, 2014, we have invested €16.4 million in the acquisition of property, plant and equipment/intangible assets, which mainly related to our IT systems and related projects, with the goal of increasing standardization and automation while reducing operating costs by streamlining our IT operations.

In addition to internal investments and development, strategic acquisitions have helped us realize substantial improvements in our operating and IT platforms. For example, our acquisition of DMA in October 2014, an innovative, multi-sourcing data information company that provides a single point of access and collection for third-party data sources such as credit scoring information and contact details, has provided us a with a valuable tool to support our data analytics activities. Our highly skilled data analytics team, comprising mathematicians, statisticians and other professionals with in-depth market expertise in the credit risk and collection business, has leveraged DMA resources to develop and improve the analytical capabilities in our operations, such as the development of portfolio-specific scoring models to tailor collection strategies. We believe that the infrastructure and capabilities gained through DMA will result in increased collection rates and reduced process costs, and will ensure that all of our operating subsidiaries benefit from the best third-party debt collection data sources.

Strong and Disciplined Approach to Portfolio Pricing

We believe that our strong portfolio pricing processes have helped us maintain high portfolio returns and avoid overbidding for debt portfolios. Our centralized portfolio pricing process is principally divided into two phases, during which we undertake rigorous and extensive diligence and analysis of the investment opportunity in order to assess and determine an accurate return on our investment. In the first stage of our due diligence process, we typically receive certain high level, anonymized data points from the debt originator. In the second phase, we usually perform on-site file testing to assess the underlying quality of the portfolio before submitting our final bid. We believe that our thorough assessment of potential investment opportunities maximizes our ability to acquire lower risk and higher yielding portfolios. Our conservative approach, which results in GFKL bidding on approximately 60% of investment opportunities, has yielded strong cash returns while managing financial risks. In the period between September 30, 2003 and December 31, 2014, our Gross Collections on our purchased debt portfolios cumulatively exceeded the original forecast generated at the time of purchase by 21%.

Cash Generative Business Model with Strong Earnings Visibility and Capital Deployment Optionality

We operate a diversified business model with complementary revenue streams that generate surplus cash available to reinvest in our business and to reduce our financial leverage. Our debt purchase business provides strong cash flow visibility and strong returns on investment, while our cash generative third-party collection services business contributes to efficient cash conversion that we believe gives us significant control over our liquidity and ability to grow our business.

Our third-party collection services business is cash generative and typically enables us to scale our business without requiring significant incremental investments. Our stable contractual arrangements provide visibility on future collections and the fees derived therefrom. Our Gross Collections from our third-party collection

services business increased from €242.3 million in the year ended December 31, 2013 to €261.5 million in the year ended December 31, 2014. We believe that our business model and complementary revenue streams have contributed to our strong historical financial performance.

Our debt portfolio purchase business provides substantial visibility into future earnings and cash flow generation. As of December 31, 2014, we owned 198 debt portfolios containing 3.55 million accounts. Between September 30, 2003 and December 31, 2014, our Gross Collections on our purchased portfolios totaled €610 million, representing more than double our total initial investments of €296 million. Our portfolios are expected to continue to yield predictable cash flows, with ERC as of December 31, 2014 at €452 million, resulting in a Gross Money Multiple of 3.6x on portfolios purchased as of December 31, 2014. A substantial portion of our ERC is expected to be generated from older vintages of debt portfolios for which we have solid historical visibility on portfolio performance over time. Gross Collections on purchased debt increased from €86.7 million for the year ended December 31, 2013 to €91.6 million for the year ended December 31, 2014 despite a lower amount of debt portfolio purchases in 2014 (€27.8 million of acquisitions of purchased debt portfolios) compared to 2013 (€30.3 million of acquisitions of purchased debt portfolios as adjusted for a purchase made in December 2012), demonstrating the strength of our collection techniques as well as the ongoing revenue stream these assets provide. The selective nature of our portfolio investments enables us to proactively manage portfolio acquisition opportunities in light of our liquidity requirements.

Our Adjusted EBITDA, which we believe is indicative of our operating cash flows and reflects the intrinsically cash generative nature of our business, was €66.5 million in the year ended December 31, 2014 and €72.6 million for the twelve months ended March 31, 2015. For the year ended December 31, 2014 and for the twelve months ended March 31, 2015, our average cash conversion (Normalized cash flow from operating activities before interest and income tax payments as a percentage of Adjusted EBITDA) was 89.2% and 97.0%, respectively. As a result of our strong cash flow generation, we believe that we have the ability to continue our growth while deleveraging over time.

Successful and Experienced Management Team

We are managed by a strong executive team comprising individuals with many years of relevant experience and providing leadership across all functional areas of our business, including our chief executive officer, chief financial officer and chief operating officer, who have an average of 16 years of executive management experience. Our senior management team is supported by a skilled team of qualified professionals who operate our central functions and assist in the execution of our strategy. We have been named one of Germany's best employers for 10 consecutive years. We believe we have a strong staff retention rate by industry standards, with average tenure of 7.5 years, as well as an average turnover rate of approximately 5.1% as of December 31, 2014. Our current management team has been the driving force behind the repositioning of the company as a leading receivables management solutions provider in Germany. Since the beginning of their tenure, we have achieved significant improvements in our commercial, operating and financial effectiveness and results.

Our Strategy

Invest Further into our Long-Lasting Client Relationships

We expect significant opportunities in the receivables management industry in Germany. We strive to increase our market share by leveraging our strong client relationships with large, well-known companies operating in Germany and fostering our relationships with SMEs.

As our industry matures, we intend to further build on our differentiated services offering that addresses the full chain of the debt recovery cycle, and to further embed our operations within our clients' operations. We believe we are an industry leader in the ability to anticipate our clients' changing needs and adapt to market demands by developing innovative risk management solutions. For example, we expect to continue to improve our analytics skills to help our clients benefit from an increasingly intelligent, data-driven debt purchase and collections approach.

Attract New Clients by Leveraging our Strong Franchise and Superior Services Offering

We intend to leverage our franchise, services offering and track record to further secure third-party collections and debt purchase agreements in the domestic market. We expect new market opportunities, as creditors are increasingly seeking a holistic, cost-efficient approach to receivables management that can limit financial and compliance risks. For example, the Company Market Study estimates that the increased propensity to outsource drove three quarters of the growth in the German debt collection market from 2009 to 2013. For SMEs, outsourcing the collection process to third-party agents provides cost benefits, improved collection rates and a more professional approach to debt collection. Larger creditors can also realize both financial benefits, such as higher collection rates than would otherwise be achievable, earlier cash flow and reduced

administration costs, as well as non-financial benefits, such as a reduction in management time devoted to what is typically a non-core activity and more consistency in debt handling with a better audit trail. Furthermore, there is an ongoing trend to replace in-house departments with outsourced services in these companies. In addition, creditors in certain industries, such as public sector and utilities creditors, currently have low rates of outsourcing and present an additional potential growth area for our third-party receivables management services. As one of the Tier I players in the German market with a strong reputation for ethical, fair and efficient collection services, we believe that we are ideally positioned to capture outsourcing market growth, to further increase our growing sales and to secure a number of attractive partnerships and portfolio acquisitions going forward. Between January 1, 2014 and March 31, 2015, we originated 42 new large, well-known clients in total, of which 26 were acquired in 2014 and 16 were acquired in the first quarter of 2015.

We believe that our strong relationships with large, well-known companies, mostly based in Germany, along with our new shareholder's extensive network will lead to attractive opportunities to enter into additional collection agreements across all sectors in the coming years.

Participate Opportunistically in Consolidation of our Industry when Accretive Opportunities Exist and Pursue other Acquisition Opportunities

We have a strong track record of selective and accretive expansion in Germany, as demonstrated by our successful acquisitions of GCG in 2012, and ITT and DMA in 2014. We intend to participate opportunistically in the consolidation of the German receivables management industry in order to build on our scale, address untapped customer segments and create new client relationships, including through additional client collection platform carve-out transactions. We intend to strategically pursue further carve-out transactions with current clients and small, credit accretive bolt-on acquisitions, which we believe can be financed through our organic cash flow generation. We may also consider foreign acquisitions and other larger acquisitions if the opportunity is attractive. In addition to the aforementioned acquisitions, we also intend to continuously assess a number of potential purchased debt portfolio acquisition opportunities, including one that is significant in size. In connection with these potential acquisitions, we will continue to apply our strong and disciplined pricing approach.

Continuous Improvement and Sophistication of our Operating and IT Platforms and Automation Processes

To maintain our market position and extract further value from our large and scalable operating platform, we are continuously looking to improve our organization and to harmonize our core applications, which will in turn help us strengthen our client offering and operate more efficiently. We intend to continue leveraging synergies achieved from the centralization of our IT functions, our modern enterprise resource planning system and common document management system. We are currently finalizing the implementation of a business intelligence tool that harnesses all of our data assets into a centralized data warehouse that can be used in portfolio analysis and business reporting. The tool supports swift and thoughtful decision making by our analytics team through the constant monitoring of more than 50 key indicators. Our data analytics team has identified more than 50 operational initiatives that seek to improve the efficiency of our platform and the implementation timetable for each of these initiatives is currently being drafted. These efficiency improvements are expected to strengthen our service offering and value proposition by extracting further value more efficiently from portfolios and optimizing cash flows over time. We anticipate that this business intelligence tool will utilize data from our centralized data warehouse, which is currently being implemented.

The aforementioned projects, either recently achieved or currently being deployed, continue to contribute to operational enhancements of our platform that are expected to further strengthen our position among the best-in-class players. In addition, the high automation of our platform enables us to print approximately 8.4 million pages, process approximately 2.6 million in/outbound calls and scan more than 2.7 million new documents per year. Our platform is able to accommodate additional capacity and absorb the future growth of our activities. We believe that through operational excellence and further centralization of our processes, we can achieve even higher automation within our operating platform, which we expect to lead to greater cost efficiency.

Our History

We were founded in 1992 and have grown to become the number one non-captive receivables management company and one of the top-four receivables management companies in Germany, as measured by 2013 revenue according to the Company Market Study. Our portfolio of activities was historically composed of leasing operations (mobile and real estate in Benelux, Germany, Spain and the United Kingdom), software (Germany), factoring (Germany) and receivables management services in Germany and other European countries (Portugal, Spain and Italy). From 1997-1998, we started our debt collection business and in 2003, we purchased our first German debt portfolio. In 2009, we were acquired by funds advised by Advent

International Corporation and began a major refocusing of our business, embracing a new strategy to streamline our business and focus solely on receivables management activities. As part of our repositioning, we have simplified our operations considerably. As of December 2009, our Group comprised 24 consolidated subsidiaries, three associate companies and three minority investments. We employed 1,503 FTEs in our continuing operations on average that year and realized €211 million of revenue and €(48) million in Reported EBITDA. The current management team joined the Company between 2011 and 2012 and has successfully led the execution of our new strategic direction. From 2010 through 2014, we completed the disposal of all non-core assets, including all non-debt collection and non-German operations, resulting in a focused receivables management business that we believe is well-positioned for further profitable growth. Beginning in 2012, we have made strategic acquisitions to expand our value chain in the receivables management and debt purchase market in Germany. We acquired GCG (formerly SNT Inkasso and Forderungsmanagement GmbH) in 2012. In 2014, we acquired a majority stake in ITT and 100% of the shares of DMA. These acquisitions have allowed us to expand the scope and quality of our service offerings by adding analytical capabilities, such as data mining, and a broader set of industries, leading to more efficient and successful collections on both our clients' receivables and our purchased debt portfolios.

In continuation of our strategy to focus our business on core operations, we disposed of our last remaining non-German operation in July 2014 and now operate exclusively in Germany. Our core operations comprise the German-group parent, GFKL Holdco, eight domestic debt collection entities, as well as two domestic entities providing centralized services to all operating entities. We operate out of 13 locations throughout Germany, including our Essen headquarters.

Since the Completion Date, the Issuer, through its indirect subsidiary Carl Holding GmbH, holds 97.95% of GFKL Holdco's voting rights (taking into account 3.54% of the outstanding shares held as treasury shares), with minority shareholders holding the remaining 2.05% until the Squeeze-Out is completed (see "*The Transactions*"). GFKL Holdco has twelve wholly-owned direct or indirect subsidiaries and one indirect subsidiary with a consolidated stake of 51% (ITT). The minority interest in ITT is held by Mr. Frank Haße, one of the managing directors of ITT.

In 2014, Standard & Poor's rated us with the best possible "Strong" servicer rating as a special servicer of consumer finance, based on two of our major subsidiaries PCS and SIR. The rating recognizes our operational strengths. Standard & Poor's provides investors with independent evaluations regarding a company's operational systems and processes.

Operations and Service Offerings

We have a full-service offering throughout the debt collection value chain, consisting of third-party collections and related services, including carve-out transactions of in-house debt collection operations, and debt purchase. We believe that these offerings enable us to provide our clients with various solutions tailored to their specific needs and requirements. For example, some clients do not have the scale to efficiently and effectively perform certain functions in-house, so we are able to offer them a full suite of services both before and after debt or receivables become overdue. Furthermore, other clients have significant incentives to outsource their debt collection or sell their portfolios of overdue debt and other overdue receivables due to, for example, changes in regulatory regimes and an increasing focus on their core businesses. We believe that our full-service offering enables clients to view us as a valuable partner in their business.

The table below sets forth our revenue by business for the periods under review.

	For the year ended December 31,			For the twelve months ended March 31,
	2012	2013	2014	2015
	(€ million) (unaudited)			
Third-party collection services	66.2	77.1	86.6	88.9
Debt purchase	51.3	61.4	67.6	67.5
Other services	0.0	(0.0)	1.7	2.4
Lawyer service revenue[(1)]	39.5	51.9	87.9	92.1
Total	**157.0**	**190.4**	**243.8**	**250.9**

(1) As we typically earn outsourcing revenue from lawyers only where we have engaged such lawyers to assist with our collection efforts, the outsourcing revenue from lawyers does not have a positive impact on our Reported EBITDA or net income as the fees we pay to the lawyer are higher than the related outsourcing revenue we earn.

Debt Collection

Overview

We provide debt collection services in the German market to collect overdue debt and receivables both for our clients and for our purchased debt portfolios. As of December 31, 2014, we had serviced 10.8 million accounts (with 3.4 million accounts remaining active), representing approximately 6.5 million individual debtor accounts, with an aggregate face value of owned debt on open accounts of €11.4 billion including fees, interest and costs added to the principal amount. Our third-party collection services clients are creditors in a range of sectors, primarily in insurance, followed by the banking, telecommunications, retail, fitness, public and utilities sectors. Our highly-trained collections teams specialize in specific sectors for both serviced and purchased debt. For the twelve months ended March 31, 2015 our third-party collection services business generated 57% of our revenue, excluding lawyer service revenue and other services revenue (other services revenue shown as "other" in the notes to the 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the 2014 Audited Consolidated Financial Statements).

We believe that our clients benefit from outsourcing their debt collection to us as we create value for them by lowering the cost of collection and increasing recovery rates. We are able to lower collection costs due to our large scale and automation of the debt collection process, and we are able to increase recovery rates by effectively tailoring debt collection strategies using our deep understanding of each industry in which we operate and our extensive databases, advanced analytics and broad experience. Additionally, our clients are able to focus on their core business by outsourcing debt collection to us as opposed to performing this function internally.

We generate servicing fees through multiple channels, all of which are supported by the German legal framework for debt collection which provides for statutory and regulation-based fees to debt collection companies. The service fees we earn depend on the contractual agreements we have with our clients, including how our fees will be calculated based on principal amount, and the accrued fees, costs and interests charged to the debtor. The fees that are passed on to the debtor are capped at statutory amounts under applicable regulation, including the German Introductory Act to the Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz*) and the German Law on the Remuneration of Lawyers (*Rechtsanwaltsvergütungsgesetz*). Fees of debt collection companies are limited to the amount a lawyer could claim for similar activities and are tied to the amount in dispute. Further fees are incurred by the debtor if a lawyer is eventually engaged in the collection process. These fees are passed to the debtor as an additional damage amount. For further information on the regulatory environment in which we operate, see "*Regulation*."

We work with debtors to optimize total cash receipts by identifying the most appropriate collection strategy, which may include full repayment, settlement at a discount or long-term repayment plans. We employ both non-legal collections methods and, when necessary, legal action to maximize cash flow certainty and minimize default risk. Non-legal strategies include letters, phone calls, event campaigns, and text messages. When necessary, we seek orders to pay, court enforcement orders, attachment orders to garnish wages, or we give the enforcement orders to a bailiff for foreclosure.

In addition, we offer logistical and administrative services to the external lawyers we engage.

Our third-party collection services do not require significant ramp-up costs and are therefore less capital intensive than debt portfolio purchases. While a purchased portfolio is recognized on the balance sheet, third-party collections can be performed with limited balance sheet impact, which mostly relates to certain upfront guaranteed payments on future collections that we grant some of our larger third-party collection services clients. In such cases, we guarantee that we will successfully collect a certain percentage of the outstanding principal amount of claims. These guaranteed payments are capitalized on our balance sheet. The most significant contract of this type is being renegotiated and we believe we will convert it to a third-party collection services agreement without or with less prepayment requirements. As of the date hereof, negotiations are still ongoing.

We have made substantial investments in our data analytics and IT capabilities, which we believe give us a competitive advantage in our collections operations and further increases operational efficiency. For example, in 2014 we created the GFKL Analytics team, which is a dedicated in-house team of data scientists and statisticians that supports our investment decisions, business intelligence and ongoing efforts to improve our collections efficiency. In October 2014, we acquired the data solutions provider, DMA, which provides a single platform for accessing multiple data sources. DMA provides a consistent data framework across all of our operating entities and helps reduce the cost per data query. Since the DMA acquisition, we have integrated the GFKL Analytics team within our DMA operations. See "—*Technology Infrastructure*."

We believe these data and IT initiatives have contributed to our success as a market leader in collections efficiency. We have improved our collections (on third-party collections services and purchased debt) per full-

time equivalent employee from €379,000 in 2013 to €416,000 in 2014. Our comprehensive approach to debt collection enables us to achieve optimal returns for our clients, which we believe is reflected in our strong track record for winning new business and retaining existing clients. We believe that the benefits of our effective claims collection strategy are evident through our many long-standing and repeat client relationships, where we are seen as a trusted, important and strategic business partner.

Debt Collection Process

Creditors use a range of collection models to optimize recoveries. Creditors may have in-house collection teams, or they may outsource to law firms and third-party collection providers such as ourselves, or sell their debt portfolios at a discount to the principal value. In Germany, there is a high propensity to outsource the collection process to law firms or third-party collection providers. Whether debt collection is outsourced may depend on a variety of factors, including the age of the debt and where it is within the credit recovery cycle.

In Germany, the unsecured consumer credit recovery cycle typically has three stages, whose characteristics may differ depending on factors such as collection activities already taken by the debt originator or whether there is a fixed payment date: (1) ongoing accounts receivables management on performing loans and/or debt outstanding; (2) early stage recoveries for unpaid debt within 45 days after the payment due date for debt that specifies a payment date (generally 90 days for the banking industry); and (3) ongoing debt collection activities for defaulted debt beyond the 45-day early-stage recovery period (generally 90 days for the banking industry). Ongoing accounts receivables management is typically handled in-house, whereas debt collection services are typically outsourced to third-party providers at the early stage recovery phase and in the ongoing collection phase. The collection process across the unsecured credit recovery cycle involves a range of strategies and multiple players. Our products and services cover the full debt recovery cycle and, in some instances, risk management solutions implemented prior to the origination of debt, enabling us to benefit from a longer servicing period. Although our operating entities have specialized departments for the collection process, certain functions are performed by dedicated subsidiaries, *e.g.*, portfolio valuation and some administrative functions are done centrally by or outsourced in part to different entities within our Group. PCS provides telephone services for some subsidiaries. These services are accounted for through internal transfer pricing, which we consider in line with market prices for similar services.

Optimizing debtor contact at each stage of the collection life cycle is the key to our debt collection strategy. We adapt our procedures to maximize the total amount collected over the life of the debt through sustainable payment plans or affordable settlements achieved through an amicable and solution-oriented collection approach rather than by exploiting short-term collection potential. The process consists of the following key phases: (1) the initial or "onboarding" phase, (2) the pre-legal or "amicable" phase, (3) the legal phase, and (4) the long-term monitoring and surveillance phase. During this process, we have the potential to earn fees on collections by passing through statutory fees to the debtor and earning contractually based success fees, generally during the long-term monitoring phase, from our clients.

The debt collection process we undertake is the same whether we engage in debt collection for external clients or for debt portfolios we own. However, when we perform debt collection on behalf of our clients, we typically operate within the guidelines that they set regarding settlements as well as specific collections procedures. For the debt portfolios we own, we generally have the flexibility to set guidelines regarding when to settle a claim and what procedures are utilized, subject to any contractual limitations or other arrangements with the relevant debt originator. For example, we are typically restricted from deploying contractors who physically visit the debtors' homes. Actions taken during the debt collection process are designed to take into account any restrictions imposed by applicable laws and regulations, and to preserve our and our clients' reputation. In our three largest operating entities, only 2% of the cash collections in the year ended December 31, 2014 involved settlement at a discount, while 7% of cash collected was the result of insolvency liquidation and 15% was from legal or other means.

Initial Phase or "Onboarding"

Upon receipt of a debtor's account, through either our third-party collection services or our debt purchase operations, we onboard, or integrate, the portfolio into our database. Following the onboarding, the account file is cross-checked using our existing internal database in order to update and complete the debtor's contact information from our third-party data sources. Throughout the debt collection process, we retrieve additional debtors' data via our external data providers. Our acquisition of DMA has allowed us to create a group-wide, consistent data framework for this purpose. DMA enables us to optimize data queries raised to external providers and therefore maximize information gathering at minimum cost. All of our operating entities are interfaced with DMA and this centralization of data sources has improved data quality and consistency and allows us to more efficiently track and update new debtor accounts throughout the collections process. Our highly-automated operating platform allows us to onboard a significant amount of new accounts and currently onboards more than one million new accounts each year.

Pre-Legal or "Amicable" Phase

During the pre-legal phase, our goal is to agree to a voluntary payment plan or settlement with the debtor. Any repayment arrangements with debtors are structured in accordance with specific internal policy guidelines and client contract requirements, if applicable, and are designed to be sustainable and affordable for the debtor. To enhance efficiency during the debt collection process, we leverage information in our extensive databases in order to tailor an optimal collection strategy for each individual debtor. Ultimately, the combination of collection methods that we use for a specific client depends on various factors, including the claim size, the client we are acting on behalf of, the applicable laws and regulations, and the individual debtor.

In general, one to two days following onboarding, we make initial contact with the debtor by sending an automated "Hello" letter, which summarizes the principal balance outstanding, the debt originator and the interest rate on the debt (based on data received from the originator). We send approximately 800,000 "Hello" letters every year. With the acquisition of DMA, we are now able to locate significantly more debtor contact information for receivables we have serviced compared to before the acquisition. If after a maximum of one month the debtor has not repaid or demonstrated his or her willingness to repay the outstanding balance, we send various escalation letters to the debtor with tailored messages based on, among other factors, the sector, type of debtor and the principal outstanding. We have found that escalation letters are effective in improving collection performance, particularly in relation to our serviced debt portfolios with a large number of low value debtors. We typically engage third-party law firms to send these further escalation letters.

Throughout this phase, our call centers are contacting the debtors to assess willingness to pay and ability to pay in order to perform an income-expenditure assessment. In addition to calls, we have also started sending text messages to debtors with a request to call back and have realized a higher callback rate through text messaging than standard voicemail messages. Depending on the results of our income-expenditure assessment, and on any restrictions we may have from the debt originator, we may agree with the debtor on full repayment, an installment repayment plan or to settle the outstanding balance at a discount.

In the year ended December 31, 2014, for two of our major operating subsidiaries (SIR and PCS), 55% of our total collections were realized in the pre-legal phase of the collection process, including payment agreements with the debtor.

Legal Phase

Typically, three weeks after sending the escalation letters, legal action can be initiated on claims that have not been repaid or settled. A claim moves into the legal phase if we determine that the debtor has the ability to pay but is otherwise unwilling to voluntarily pay, or if we have been unable to agree to a solution with the debtor in the pre-legal phase. While we aim to resolve claims by working with debtors without relying on legal enforcement, we will employ legal methods if we believe that this is the optimal strategy and if the economics of the legal proceedings are attractive for us. Some examples of solutions we seek in the legal phase include garnishment of wages, sale of collateral, bankruptcy proceedings and debt restructuring. When legal action is taken, litigation costs are paid for by the debtor if the court decision is in the creditor's favor.

Prior to taking legal action, we determine whether a particular debtor is suitable for court action based on a variety of factors. We access information available on the debtors from credit bureaus, including a debtor's credit score and any "negative entries." Negative entries relate to any information showing that the debtor could be considered as "vulnerable" and for whom legal action might not be appropriate and/or where the debtor clearly does not have the ability to pay. If there are negative entries indicating that legal action is not appropriate, we will transfer the claims to the long-term monitoring phase and continue to monitor these accounts on a regular basis for any changes to the debtor's personal and/or financial circumstances. If we determine that a debtor is suitable for legal action, then we will seek a judicial order to pay. If the debtor does not object to the order, we will then obtain a court enforcement order against the debtor.

Our standardized processes and automated systems allowed us to process approximately 400,000 court orders and approximately 500,000 foreclosures in 2014. In the year ended December 31, 2014, for two of our major operating subsidiaries (SIR and PCS), 38% of our total collections were realized in the legal phase of the collection process.

Long-Term Monitoring Phase

The long-term monitoring phase typically commences when a claim is written off due to the debtor being insolvent and/or the claim being deemed uncollectable. This phase can last up to 30 years where we have obtained the enforcement title (or longer, in certain cases). We believe that collections on this large pool of claims can be improved over time due to improvements in the debt collection process as well as positive macroeconomic developments, such as decreasing unemployment, and improvements in the debtor's financial position. During this phase, we monitor changes in circumstances of the individual debtor in order to determine whether there is an enhanced ability to begin payment. When it appears through surveillance that a

debtor's financial position has improved, we then look to both pre-legal and legal means to collect on the claim. We perform any requisite actions during the surveillance phase to ensure that claims are not barred by statutes of limitation in order to protect our ability to collect on a claim if a debtor later becomes solvent.

Standardization and Automation of the Debt Collection Process

We believe our standardized and automated platform maximizes our collections effectiveness. Standardization and automation of key aspects of the debt collection process increases the efficiency of our operations by reducing the need for manual case handling and leading to cost reductions. In order to make our debt collection service more efficient and to ensure optimal debtor contact, we have integrated several automated processes into our debt collection processes. These processes include:

- our centralized core debt management system, "phinAMV," which enables our collection operators to swiftly assess a debtors' ability to pay, provides optimal collection strategies and collates all documents pertaining to the debtor;
- our five industrialized and automated call centers with a total of 149 agents, who made 109 calls per employee (full-time equivalent in continuing operations) per day in 2014;
- our receivables management operations on all major sites with sector-specialized teams and dedicated teams that focus on collections of large balances;
- our GFKL Service Center, a centralized automated hub for managing mail, digitizing debtor files and physical archiving of court documents, which printed approximately 8.4 million pages, scanned more than 2.7 million new documents, and hosted more than five million files in 2014;
- our analytics capabilities, supported by DMA and a team of 10 experts in data science, that provide a tangible competitive advantage in portfolio segmentation, optimization of data sourcing costs, selection of the most effective collection strategy and maximize utilization of call centers and receivables management platform; and
- an efficient general workspace system, which allows employees to utilize our core collection software, phinAMV, and access underlying claim documents simultaneously and online.

We believe these third-party collection services processes help us improve our efficiency and collections performance. From 2013 to 2014, our average calls per FTE (as of the respective year end) based on five call centers increased by 17.2%. From 2012-2014, our Gross Collections per FTE (as of the respective year end) at our three largest subsidiaries increased by 12.9%, and we improved our revenue (from continuing operations) per FTE (as of the respective year end) in continuing operations at the respective year-end by 66.0%.

	2012	2013	2014	Change
Calls / FTE / Day(1)	n/a	93	109	+17.2%
Gross Collections from third-party collection services per FTE (€ thousand)(2)	271	295	326	+12.9%
Revenue per FTE at the respective year-end (€ thousand)(2)	183	232	304	+66.0%

(1) Based on five call centers and at the respective year-end.

(2) Based on performance of GFKL Group per FTE in continuing operations at the respective year-end.

In addition, we strive to invest in value-added partnerships and products that enhance our ability to serve our clients. For example, we have an international Global Credit Solution network that enables us to service our clients globally through our local partners (however, this only applies to a very limited amount of our debt collection efforts). Finally, as of December 31, 2014, we had serviced 10.8 million accounts (with 3.4 million accounts remaining active) and information on 6.5 million individual debtors as of December 31, 2014, which allows us to more accurately determine collection strategies.

Our Ethical Approach to the Debt Collection Process

All of our processes incorporate, what we believe to be, leading compliance standards, that enable us to preserve our reputation and the reputation of our clients. We believe in:

- polite persistence, where collectors take a fair and reasonable stance when interacting with debtors;
- ensuring a fair outcome for the debtor, taking into account sustainability and affordability of payments; and
- treating debtors with respect and dignity.

We are dependent upon relationships characterized by trust with our clients and government authorities. In order to achieve the necessary level of trust, we must act with professionalism, expertise and high ethical standards at all levels. Our internal standards of conduct are applicable to all employees. These standards mandate that all employees are expected to work within the law, have sound principles and behave in a respectful manner. We have started to implement a robust and centrally coordinated compliance monitoring program, which evaluates and assesses compliance with legal, regulatory and industry best practices, as well as our stringent internal standards.

Collection Platform Carve-Outs

In addition to managing third-party receivables through contractual relationships with our clients, we believe we are the only top-four receivables management company in Germany, measured by 2013 revenue with a successful track record of structuring a number of outsourcing deals in which we carved-out and took over a client's in-house collection operations. These carve-out agreements may include transferring staff and growing the collection teams we take over. In exchange for these deals, we receive multi-year exclusive collection agreements and access to early-stage recovery debt.

Given the material changes implemented at both the clients' organizations and our organization, the process must be tailored in each circumstance, but generally consists of a multi-stage approach. First, we engage in discussions at the management level to assess the overall project feasibility. We then agree on a sample data exchange and complete a feasibility test. The contemplated process is formalized in a draft document which outlines major milestones in the implementation timeline as well as key client requirements. Our proposal contains the detailed prospective operational setup and discusses the planned interface between our operations and the client's operations. Finally, the project is discussed with the relevant departments within our organization and the client's organization, including representatives of employees, before being finalized. The overall process, from initial discussions to employees' onboarding and receivables management implementation, typically takes four to seven months. Once onboarded, the employees will service the specific client, but may also service other GFKL Group client accounts.

Since we conducted our first transaction of this kind in 2004, we have successfully carved-out receivables management teams from clients within the telecommunications, insurance and banking industries in four additional transactions. Building on solid collection growth, we have consistently increased our cumulative integrated workforce from these carve-outs. We initially transferred 137 staff members from our clients. For example in 2012, we executed a carve-out transaction for one of our clients in the telecommunications sector. In 2006, we carved out a receivables management team of one of our clients in the banking sector and took over 19 FTEs. In addition, we executed carve-out transactions for various clients in the insurance sector in 2004, 2008 and 2010, taking over eight, twelve and four employees, respectively. We have secured long-term collection agreements with terms of up to six years with the respective originators from which we have taken over the collection platform. Such transactions are typically done without upfront payment to the creditor, although we may sometimes structure share deals equaling to the value of long-term service contracts, as we did for the 2012 carve-out.

We believe our carve-out platform is mutually beneficial. We enable our clients to collect more receivables at lower cost due to our operating scale, experience, processes and tools. Long-term servicing contracts give us earning visibility and support our future revenue and cash flow generation. Exclusive access to early-stage debt also gives us opportunities to cross-sell other services, such as debt purchase, down the debt recovery cycle as we gain specialized familiarity with the clients' debt portfolio.

Debt Purchase

Overview

We have extensive experience in acquiring portfolios of unsecured consumer debt. The unsecured debt portfolios we purchase are reflected on our balance sheet as we either own title to the debt or, in the case of certain debt purchased from the insurance industry, we hold the economic right to collect without title to the underlying debt. We acquire debt from creditors in a variety of sectors, including the banking, retail, e-commerce, telecommunications, fitness and utilities sectors. Except for a small amount of purchases related to our PayProtect service (described below under "—*Other Services*"), we purchase debt at a discount to the principal value and seek to collect two to three times or more of our original investment over the investment period. For example, for the period from September 30, 2003 to December 31, 2014, our Gross Collections together with our ERC represented 3.6x the actual purchase price paid.

We consider a range of investment criteria when deciding whether to purchase a portfolio, including whether a portfolio fits our focus on unsecured consumer debt, the portfolio's expected return, and pricing economics. We generate collections with our debt purchase activities similarly to our third-party collection services business—by employing effective and efficient collection strategies and utilizing our data analytics capabilities.

See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations*.” Any fees we charge the debtor are also regulated and capped by applicable German law, which allows a creditor to charge fees and costs as additional damages resulting from the debtor’s default. We believe that we can generate attractive yields over a longer period of time than our competitors due to our expertise in pricing unsecured consumer debt, our relationships with debt originators, our knowledge of the portfolios we purchase and our debt collection abilities.

We believe that one of our core strengths, in comparison to companies that only purchase debt portfolios, is that we service the portfolios we purchase through one of our servicing subsidiaries. Unlike many of our competitors in the debt purchase sector, who rely on third-party debt collection agencies to service claims, we believe that directly employing, training and monitoring debt collection specialists is essential to extracting value from claims and pricing portfolios accurately. By servicing our owned portfolios through our servicing subsidiaries, we control the entire debt collection process, we are able to implement optimal debt collection strategies and we benefit from our collections operating scale. Additionally, by controlling the entire debt collection process we can better manage our and our clients’ reputation by treating debtors fairly and respectfully. Our reputation of fairness, and our quality and compliance control enable us to leverage our long-standing client relationships with debt originators, many of whom are our clients in our third-party collection services business.

As of December 31, 2014, we owned 198 unsecured portfolios of overdue debt consisting of approximately 3.5 million accounts. Between September 30, 2003, when we acquired our first debt portfolio, and December 31, 2014, we achieved Gross Collections totaling €610 million and, as of December 31, 2014, these portfolios had an ERC of €452 million. Our Gross Collections together with our ERC as of December 31, 2014 represented 3.6x the actual purchase price paid for our purchased debt portfolios.

Currently, we are assessing a number of potential purchased debt portfolio acquisition opportunities, including one that is significant in size. In connection with these potential acquisitions, we will continue to apply our strong and disciplined pricing approach.

Debt Purchase Process

We acquire unsecured consumer debt portfolios from creditors in a variety of sectors, leveraging our strong client relationships. We typically purchase portfolios at a discount to the debt face value and seek to collect two to three times our original investment on average. We believe that debt originators are willing to sell their receivables to us at a significant discount because we provide them with an upfront payment for these non-core assets.

There are two principal types of contracts for purchasing debt portfolios: spot sales and forward flow agreements. In a spot sale, we agree to buy a portfolio of claims that we receive in one transaction upon payment. Spot sales are mostly conducted through auctions. In a forward flow agreement, we agree to buy claims at a pre-defined price or price range for a given volume from a client on an ongoing basis. Between September 30, 2003 and December 31, 2014, 64%, or approximately €191 million, of our acquired portfolios were purchased in spot sales, while 36% of our acquired portfolios were purchased through forward flow agreements, representing approximately €106 million in purchased debt. We believe that forward flow agreements can be beneficial to us as they provide us with earnings visibility and opportunities to develop long-term relationships with the debt originator. Similarly, these agreements are beneficial to our clients as they provide a certain level of predictability of the volume of claims being sold.

Portfolio Origination

Our specialized and dynamic sales teams maintain close relationships with debt originators and leverage these relationships along with our strong reputation in the German debt collection market to win new business and thus originate new portfolios. We acquire debt portfolios through three channels: competitive auctions, off-market sales and our existing forward flow agreements. Our full service capabilities, analytical and pricing expertise and proven ability to finance debt portfolio acquisitions together with our strong relationships and reputation with creditors provide us with competitive advantages throughout the debt portfolio acquisition process. We believe we are invited to nearly all major debt portfolio tender processes in the German market.

In competitive auctions, creditors invite debt collection companies to review the terms of a tender for potential portfolio sales. While creditors may limit the auctions to a select panel of debt collection companies, the process is still competitive and is typically used by creditors to maximize their economic outcome. Competitive auctions are more common in the sale of banking debt. Off-market sales are less common and occur when creditors hold discussions with a limited number of parties. In these situations, we have the opportunity to negotiate the content of the portfolio acquired and can work with the creditor to agree on terms which maximize target outcomes for both parties. Off-market sales are more typical in non-banking debt sales. Finally, we acquire debt portfolios through forward flow agreements where creditors agree to sell us non-

performing receivables on a regular basis at pre-agreed prices in accordance with the quality of the claims in the portfolio. Creditors may sell us new batches of non-performing receivables as frequently as on a monthly basis. Debt acquired through forward flow agreements tends to be “fresher” than portfolios sold by other means because there is less of a delay between the time the debt is considered defaulted and the time at which we can begin collections. This “fresh” debt typically has higher collection expectations, because less work has been applied to the assets to obtain customer payments.

Pricing and Due Diligence

Prior to acquiring a debt portfolio, we evaluate the purchase opportunity through a multi-stage process consisting of two rounds of bidding, an indicative bid and a final bid, and extensive due diligence. Our governance process with regard to new investments depends on the total amount to be invested but generally comprises three separate committee approvals before submission of a final bid, all of which require the Investment Committee’s review. This robust process enables us to focus on lower risk, higher yield portfolios. The success of our approach is evidenced by our performance. Between September 30, 2003 and December 31, 2014, our Gross Collections for our debt portfolios cumulatively exceeded the original forecast generated at the time of purchase by 21%. Assuming that our portfolio mix remains similar and our pricing becomes more accurate over time, we expect the amount exceeding the original forecast to decline in the future.

The following stages comprise our pricing and due diligence process for all potential portfolio purchases:

- Approval Stage 1: All significant bidding opportunities we initially identify are presented to the Investment Committee, which comprises the Executive Board, the Head of Treasury, the responsible portfolio manager, the client manager in charge of the relationship with the debt originator and the portfolio pricing team. The responsible manager presents the Investment Committee with a short discussion paper describing the key characteristics of the portfolio and any competitive dynamics in the acquisition process. At this stage, approximately 98% of the investment opportunities initially identified are approved for further due diligence.
- Due Diligence Round 1: In this initial stage of due diligence, we execute a non-disclosure agreement with the debt originator and send a request list of information regarding the portfolio. Information received at this stage typically includes debtor information such as gender, age, and address, and receivables information such as outstanding principal balance, interest and fees due, claim size, and payment history such as last payment date, existing repayment plans, and historical payment patterns. The pricing and operational teams review all information provided by the debt originator in response to our request and form a preliminary view of the cash flow potential and cost to collect on the portfolio. The pricing team also analyzes the portfolio to assess potential valuation levels.
- Approval Stage 2: The pricing team’s analysis from the first due diligence round is presented to the Investment Committee, which then determines the appropriate pricing for an indicative bid. Indicative bids are typically presented to the debt originator in the form of a letter which sets out pricing assumptions and key terms. In some cases, these letters may lead directly to discussions with the debt originators on the terms of the sale. If the portfolio is priced below €50,000, no additional Investment Committee approvals are required; however, the portfolio is still subject to the second round of diligence and final bidding prior to acquisition.
- Due Diligence Round 2: If the debt originator accepts the indicative bid, it will then typically provide us with additional information on the portfolio, allowing us to perform a more complete review of the file to determine the underlying quality of the portfolio. In this second phase of due diligence, we typically visit the debt originator’s offices or other sites where the data is organized to perform a detailed on-site assessment of the portfolio’s value. Additional review may also include a review of, among other things, loan files, workflows, and previous correspondence with the debtors.
- Approval Stage 3: Following the second round of due diligence, the investment is presented to the Investment Committee for a third time to obtain approval for a final bid. For investments greater than €1.0 million, our Supervisory Board must also approve. Investments are rejected at this stage mainly due to information uncovered during the due diligence process. We bid on approximately 60% of all investment opportunities initially identified.
- Final Bid: We submit final bids to debt originators following the final round of approvals. In situations where we have a strong existing relationship with the debt originator, we are able to discuss the bid to make any adjustments necessary in order to win the portfolio. Approximately 60% of our final bids are successful, meaning that we ultimately win approximately 35% of all investment opportunities initially identified. At the final bidding stage, pricing is the main reason for losing the tender process. For any portfolio we do acquire, the purchase is subject to a contract with negotiated buyer protections, including put-back mechanisms and certain representation and warranties from the seller.

In both the indicative and final bid stages, our pricing is based on historical payment and reference portfolio analysis to determine a potential price which represents the discounted value of estimated cash flows net of costs. We use historical information from paying accounts in the portfolio where recent payment history is available to analyze payment frequency, missed payments and the existence of deferred payment agreements. We also use performance information from reference portfolios, selected on multiple criteria to most closely resemble the portfolio being considered, to estimate cash flow from the portfolio being considered. The discount rate we use reflects the unlevered return required by management in line with our strategy and cost of capital.

Review of Portfolio Performance and Value

We monitor the performance of all of our purchased debt portfolios on a monthly basis to determine operational measures which need to be implemented to address potential issues, such as targeted collection campaigns, and to reassess our estimates of future cash flow and valuation. Our valuation team and management reviews each portfolio's collections and costs on a monthly basis and determines whether the value of the portfolio has changed such that a write-up or write-down in accordance with IFRS is required. Our valuation review also determines whether we need to adjust the actual collection forecast value. Revaluations are carried out based on various analytical methods, with each method generating a cash flow forecast. Such methods include analysis of regular payers, analysis of payments by installments, cohort analysis of the portfolio, cohort analysis of a reference portfolio, analysis of actual payments received and decay rates and regression analysis. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios*." All revaluations are standardized, automated and hard-coded in statistical software. Our statutory auditors regularly review revaluations to ensure maximum accuracy in our calculations.

From the inception of our debt purchase business in September 2003 through December 31, 2014, our Gross Collections on our purchased portfolios exceeded our forecasts at pricing by an average of 21%. Our original forecast of collections at pricing is informed by historical information from paying accounts in the portfolio as well as performance information from reference portfolios. Assuming that our portfolio mix remains similar and our pricing becomes more accurate over time, we expect the amount exceeding the original forecast to decline in the future.

Track Record of Collection Performance Exceeding Original Pricing Forecast

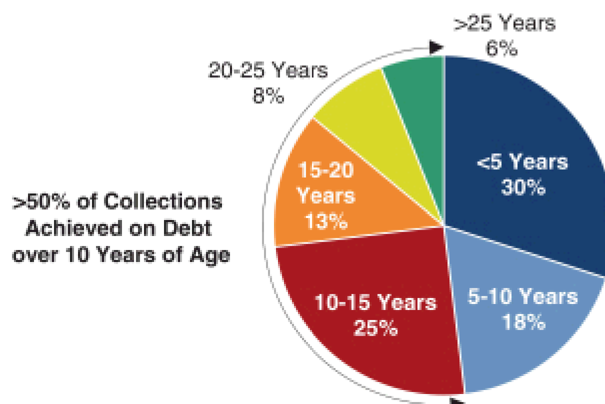
(September 2003—December 2014)

Source: Company Data.

We also have a strong track record of collecting on older claims in our purchased debt portfolios. In 2014, more than 50% of our collections for our major subsidiaries, SIR, PCS, and IBW, were on debt that has been overdue for more than 10 years.

Strong Track Record of Collections on Old Claims

(2014 Collections by Age of Debt)



Source: Company Data based on our major subsidiaries (SIR, PCS and IBW).

Other Services

In addition to our core collections and debt purchase businesses, we also provide a suite of other value-added services to our clients. Our other services primarily cover three areas: (1) risk management solutions, (2) e-commerce solutions, and (3) data information services. Examples of these services include PayProtect where we provide credit checks and creditworthiness information for e-commerce retailers in exchange for a fee. If we approve the consumer as creditworthy but the consumer defaults on the invoice, we are contractually bound to acquire the debt at face value. The commissions we generate for running the credit checks are recorded as revenue in our third-party collection services business. However, the defaulted debt acquired is recorded in the debt purchase business, which, per statutory reporting rules, is immediately recognized with an impairment from the face value of the debt. Another service is OrderCheck, which is a comprehensive solution for online payments enabling the user to proactively assess and detect any default risk in a customer before an order is executed. Our ClientMatching service optimizes our clients' execution process by matching known debtors with our clients from the e-commerce sector. ClientMatching's features include the automatic identification and differentiation between frequent and new customers, as well as screening for less credit-worthy customers based on the customers' payment histories. Based on our analysis of these various factors, certain customers may be excluded from transactions with our clients and, therefore, our ClientMatching service assists our clients in deciding with whom they may conclude a contract. As data provided in such service might be seen as indirect disclosure under applicable data protection laws, our subsidiary DIG is in the process of filing for registration under Section 4d of the Federal Data Protection Act (*Bundesdatenschutzgesetz*). We also offer data and information services through our DMA platform, which gives our clients access to debtor addresses, phone numbers and credit bureau scoring information.

Data and Analytics

We believe our data assets and analytical capabilities give us a significant competitive advantage in our industry, in both our third-party collection services and debt purchase activities. We rely upon unpatented proprietary know-how, continuing technological innovation and trade secrets to develop and maintain our competitive position. We believe that our data assets and analytical capabilities are core strengths of our business, and we continuously endeavor to find opportunities to improve their performance.

In early 2014, we started to create a dedicated analytics team that has since developed into a team of 10 experienced and highly trained mathematicians and statisticians, with the goal of implementing predictive analytics at GFKL to improve collection strategies, pricing and valuation, assessing data quality and improving internal processes. Key achievements of our analytics team in 2014 include the implementation of a centralized data warehouse, significant optimization of external sourcing costs, developing and improving intelligence-based, segmented collection strategies, and implementation of internal scorecards to maximize collection potential of the call centers and the receivables management teams.

We seek to continuously improve the sources, quality and pricing of data that is required to locate debtors and predict their payment behavior. Our acquisition of DMA in October 2014 has allowed us to create a group-wide, consistent data framework for this purpose. DMA enables all of our operating entities to source data from more than 15 data information companies through a single, unified interface. Information sourced through DMA covers three main types of raw data: creditworthiness, phone numbers and address data. All types of data are sourced through a combination of market leading data sources such as credit bureaus. DMA identifies the most reliable data sources and provides data consistency across all our operating entities,

aggregates information queries and, as a result, lowers the cost per data query. The DMA architecture is flexible and scalable, allowing for seamless additions of interfaces with additional data providers or external clients.

Our dedicated team of highly skilled mathematicians, statisticians and other professionals has in-depth market expertise in the credit risk and collection business in Germany and uses DMA's resources to focus on the development of analytical capabilities in our operations, such as the development of portfolio specific scoring models to tailor collection strategies and to optimize the ratio between cash collected and processing costs. DMA also holds a data trading license, which provides us with the future potential to expand into the data trading field and offer information services to our clients and other external parties.

In July 2014 we began developing a business intelligence tool, or BI-tool, which harnesses all of our data assets into a centralized data warehouse for use in portfolio analysis and business reporting. At its core, the BI-tool contains a massive archive of all of our historical debt collection information. The BI-tool supports swift and thoughtful decision making by our analytics team through the constant monitoring of more than 50 key indicators. We anticipate that when the BI-tool is fully developed, which is scheduled for July 2015, it will provide an interface for managers to track the performance of their respective departments in real-time, for example analysis of up-to-date sales data and collections performance. Finally, the BI-Tool will provide our clients enhanced performance reporting and access to live feeds.

We believe that our data assets, analytical capabilities and access to third-party data sources enable us to view portfolios, as well as collection strategies, in a different and more proactive way than many of our competitors. Companies that only purchase portfolios typically have limited access to data on debtors and associated payment trends until a portfolio is purchased, at which time the specific debtors in the portfolio can be matched to a credit referencing agency database. In addition, it is often the case that debtor files in a portfolio contain inaccurate or incomplete information on the name, address or telephone number of the debtor, which can make it difficult to locate the debtor or otherwise complicate the debt collection process. As a result, many of our competitors typically experience a significant data asymmetry in valuing portfolios prior to purchase and through the collection process. In contrast, our ability to harness both our own historical data on debt collections and repayment performance as well as key third-party data allows us to more accurately price portfolios, and more effectively develop strategies to maximize collections for both our clients and our purchased debt portfolios.

Geographic Footprint and Operating Subsidiaries

Between 2009 and 2014 we refocused our operations by exiting non-core activities and businesses in other European markets to focus on our core attractive receivables management activities in Germany. Prior to this re-focusing, we operated 24 consolidated subsidiaries, three associated companies and three minority investments in Germany, Portugal, Spain, Italy, Benelux and the United Kingdom in receivables management, software, leasing and factoring.

In 2012, we disposed of GENEVA-ID GmbH, HFI Beratungesellschaft Hamm mbH and VR Inkasso Leasing and Consulting GmbH, and we acquired GCG (formerly SNT Inkasso & Forderungsmanagement GmbH). In 2013, we disposed of Domusvenda Holding, SGPS, S.A., and we created the GFKL Service Center in 2014. In 2014, we divested our Spanish business, Multigestión Group, and SBL Mobilien GmbH. In the same year, we acquired a 51% interest in ITT and acquired 100% of the issued share capital of DMA. As of December 31, 2014, we had 11 legal operating entities operating solely in Germany. Our core operations comprised our German group parent, eight domestic debt collection entities and two domestic entities providing ancillary services. As of March 31, 2015, our subsidiaries operated out of 13 locations across Germany as shown in the following table.

Operating Subsidiaries	Office Locations	Area of Expertise
Corporate Center		
GFKL Holdco	Essen	Holding Company operations
Deutsche Multiauskunftei GmbH (DMA)	Karlsruhe (registered office), Essen	Data analysis, data sourcing
GFKL Service Center GmbH (GSC)......	Gelsenkirchen (registered office), Essen	Service center for mailing, filing
Subsidiaries Supporting Large, Well-known Clients		
Sirius Inkasso GmbH (SIR)	Düsseldorf (registered office), Cologne, Dresden, Hamburg	Insurance, Utilities, Telecommunications
Proceed Collection Services GmbH (PCS)	Essen (registered office), Munich	Banks

Operating Subsidiaries	Office Locations	Area of Expertise
GFKL Collections GmbH (GCG)............	Potsdam	Telecommunications
Subsidiaries Supporting SMEs		
Inkasso Becker Wuppertal GmbH & Co. KG (IBW)	Wuppertal	SMEs, mail order, media, fitness
intratech GmbH (ITT)............................	Cologne (registered office), Berlin	Software, fitness
Domnowski Inkasso GmbH (DIG)	Essen	E-commerce, business to-business
Zyklop Inkasso Deutschland GmbH (ZYK)	Krefeld	All industries issuing invoices
Proceed Portfolio Services GmbH (PPS)	Essen	Release of collaterals of bank loans

Clients

We engage with clients across a range of industries and hold leading, top-five, or top-ten market share positions across a number of specialist sectors, including the banking, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors. We believe that our diversification across numerous sectors decreases our exposure to changes in any one industry. For the twelve months ended March 31, 2015, our third-party collection services business generated approximately 53% of its revenue from the insurance sector, with 12%, 11% and 7% derived from the telecommunications, banking and retail sectors, respectively. For the same period, our debt purchase business derived 31%, 25%, 11%, 9% and 7% of its revenue from the retail, banking, telecommunications, fitness and insurance sectors, respectively. In addition, 74% of our revenue for the year ended December 31, 2014 was generated from clients with whom we had already established a relationship as of 2010. The success of our sales force is evidenced by our growing number of new large, well-known clients. We won 20, 23 and 26 large, well-known clients in 2012, 2013 and 2014, respectively.

We have a client base of several thousand clients throughout the large, well-known, small and medium enterprises segments, with our largest client representing approximately 26% of revenue in the third-party collection services business for the year ended December 31, 2014. We have also successfully increased the average length of our service contracts with large, well-known clients to 2.3 years in 2014, up from 1.7 years in 2013. We benchmark our performance against third-party debt collection competitors and regularly monitor our operations to confirm that we are in compliance with our contracts in order to ensure these strong relationships continue.

Legal Framework

Restrictions on Debt Purchase in Certain Industries

By regulation under the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), companies operating in certain industries are not allowed to sell their overdue and defaulted receivables to third parties (*e.g.*, in the insurance industry for premiums). While it is prohibited to purchase their debt, we may provide these companies with up-front payments, which are made after the receivables have been transferred for service to us. In exchange for providing up-front payment, GFKL receives all further collections as a fee. The up-front guarantee only reflects a portion of what a similar debt portfolio may cost in an open market purchase, as we purchase only the economic right to collect on a portfolio of debt, not full title to the underlying debt. See "*Risk Factors—We are subject to German and EU regulations and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business.*"

Enforcement of Claims under German law

Enforcement of claims under German law generally requires a creditor to obtain an execution title (*Vollstreckungstitel*). An execution title is not automatically transferred with the underlying claim. An execution title is generally rendered in the name of a specific creditor who has the sole right to enforce the claim. Although we benefit in many portfolio debt purchases from acting as a beneficial owner with the original creditor as trustee, which allows us to enforce on the basis of existing execution titles, we may not enforce the claim using the existing execution title if the original creditor is no longer available to serve as trustee, *e.g.*, if the creditor is liquidated. We also may not use an existing execution title if we are the legal owner of the claim. In such situations, an execution title may only be amended by way of a circumscription of title (*Titelumschreibung*), subject to certain legal requirements set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). This procedure allows other persons who are not named in the respective execution

title to use it for enforcement. See "*Risk Factors—We may purchase portfolios that contain accounts that are not eligible to be collected, including due to defects in customer documentation that may make the credit agreements unenforceable, and an enforcement of related claims may be difficult.*"

Debt Purchase—Assignment of Debts

When we purchase debt portfolios, the underlying claims are frequently assigned to us. Under German law, a creditor may generally assign claims in which it holds ownership in accordance with applicable law, in particular Sections 398 et seq. of the German Civil Code (*Bürgerliches Gesetzbuch*). Such assignment is not required to be made in writing. Section 402 of the German Civil Code stipulates that the assignor has to provide the assignee with any information necessary for the enforcement of the underlying claim. An assignment of claims may be restricted either by contractual or legal limitations or held void under certain circumstances. For example, according to some courts' decisions, Section 88 (3) sentence 2 of the German Law on Telecommunication (*Telekommunikationsgesetz*) by in connection with Section 134 of the German Civil Code provide that payment claims derived from telecommunication services may not be assigned due to the underlying limitation of the German telecommunications secrecy (*Fernmeldegeheimnis*). However, the Federal Court of Justice (*Bundesgerichtshof*) has ruled in accordance with a decision in a preliminary court ruling of the European Court of Justice that an assignment of such claims will not be void if the provider (*Diensteanbieter*) as assignor ensures that the assignee processes traffic data (*Verkehrsdaten*) in accordance with applicable law, the assignor retains the right to audit the compliance with such requirements at any time and the contract between the provider and the assignee contains respective provisions. Additionally, such claims may only be assigned once from the provider to an assignee.

On the other hand, the debtor may make use of any objections which are based and founded on the legal relationship to the original debtor. He may in particular object on grounds of statutes of limitation. German civil law provides under Section 195 of the German Civil Code for a so-called "standard limitation period" (*regelmäßige Verjährungsfrist*) of three years, which generally commences at the end of the year in which the underlying claim arose and the creditor obtains knowledge of the circumstances giving rise to the claim and of the identity of the debtor, or would have obtained such knowledge if he had not shown gross negligence. The limitation period expands according to Section 197 (1) No. 4 to thirty years if a claim has been legally established as final and absolute, which is the case, for example, if a court has issued a final and absolute judgment (*rechtskräftiges Urteil*) or the creditor obtains a binding enforcement order (*Vollstreckungsbescheid*).

Carve-out Transactions—Transfer of Business

Our carve-out transactions may be subject to regulation under Section 613a of the German Civil Code (*Bürgerliches Gesetzbuch*), which provides that the acquiror of a business becomes the legal successor of the former owner if a transfer of business (*Betriebsübergang*) occurs. According to the jurisdiction of the European Court of Justice and the Federal Court of Justice (*Bundesgerichtshof*), a transfer of business is assumed when an economic entity (*wirtschaftliche Einheit*) is transferred which retains its identity. Whether an identity is retained is assessed based on several indicative factors, including the transfer of material assets, essential parts of the employees or of customers and/or the continuation of the activities of the former owner. If the requirements stipulated by Section 613a are met and unless an employee objects within one month upon receipt of due information about the transfer of the business by either the former owner or the acquirer, the latter will automatically be party to any existing labor contracts and may not terminate any of the contracts solely for reason of the transfer. This also applies for any existing collective bargaining agreements (*Tarifverträge*) or works agreements (*Betriebsvereinbarungen*), which may generally not be altered or amended to the detriment of the employees within one year after entering into effect of the transfer of business, unless the acquirer and the employees agree on a new collective bargaining agreement or works agreement. Collective bargaining agreements or works agreements may also be amended if they cease to be effective within this period or where it is not the case that both parties are bound by a collective agreement in the scope of applicability of another collective agreement, the application of that collective agreement is agreed between the acquirer and the employee. For example, due to the applicability of Section 613a of the German Civil Code, the relationship to some of our employees is subject to the collective bargaining agreement for the private insurance industry (*Tarifvertrag für das private Versicherungsgewerbe*) and the collective bargaining agreement for the private banking industry (*Tarifvertrag für das private Bankengewerbe*).

German Insolvency Proceedings regarding Natural Persons

Insolvency proceedings regarding natural persons are tightly regulated in Germany. A natural person is only insolvent in case of an (imminent) inability to pay its debt as and when it falls due (*Zahlungsunfähigkeit*)—an insolvency based on over-indebtedness (*Überschuldung*) does not apply to natural persons.

To the extent a natural person resident in Germany does not operate commercially (and has not done so recently), the consumer insolvency proceedings (*Verbraucherinsolvenzverfahren*) might apply to any such

natural persons. These insolvency proceedings include three stages: (1) Prior to the filing for insolvency, the debtor has to set up and offer its creditors a plan to settle his debts in the course of an out-of-court debt-adjustment procedure (*außergerichtliches Schuldenbereinigungsverfahren*). During this out-of-court procedure, the general rules apply with respect to an enforcement of security interests, *i.e.*, there are no restrictions on enforcement of security. (2) If the debtor fails to reach a settlement with its creditors, he/she may file for insolvency. The insolvency court will then initiate an in-court debt-adjustment procedure (*gerichtliches Schuldenbereinigungsverfahren*) in which the court may, under certain circumstances, replace a creditor's objection to a settlement (*cram-down*). During this in-court procedure, the preliminary insolvency proceedings (*vorläufiges Insolvenzverfahren*) are pending but the court may order preliminary restrictions on enforcement of security. (3) If the in-court procedure also fails, the court may open insolvency proceedings. With respect to security interests granted by a natural person, the insolvency proceedings do not differ much from the general insolvency proceedings. The consumer insolvency proceedings may also include an insolvency plan (*Insolvenzplan*) but the debtor may not apply for debtor-in-possession status (*Eigenverwaltung*). If not the natural person but one of its creditors files for insolvency over the assets of the natural person, the court allows the natural person/debtor to file for insolvency as well. If the debtor does so, he/she has to follow the above mentioned three steps. If the debtor refuses to file for insolvency, the court may directly open insolvency proceedings.

Natural persons may under certain circumstances apply to be discharged from all residual debt remaining at the end of an insolvency proceeding (*Restschuldbefreiung*) if they agree to assign the seizable part of their wages for a period of generally six years from the opening of the insolvency proceedings to a court-appointed trustee. The period can be reduced to five years if the debtor has paid all costs of the proceedings or even three years if the amount that has been paid to the trustee is sufficient to repay at least 35% of the debt. The insolvency creditors may request the court to deny the discharge based on certain reasons stated in the German Insolvency Code (*Insolvenzordnung*). The discharge of all residual debt would generally not affect the security interests granted by the respective natural person that is subject to the insolvency proceedings as the German Insolvency Code (*Insolvenzordnung*) excludes certain security interests from the effects of the discharge.

An insolvency administrator may void the granting of guarantees, security interests, etc., by the insolvent natural person. See "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Germany—German insolvency proceedings regarding natural persons*."

See also "*Industry and Market Data—Regulatory Framework*" and "*Regulation*."

Compliance and Risk Management

We believe a focus on compliance and risk management is critical for our business, as our clients regard our ethical behavior and strict compliance with laws and regulations as essential in order for them to utilize our services. A strong compliance culture is an increasingly important differentiating factor in the highly competitive and fragmented German debt collection market, as smaller players typically have weaker compliance systems and creditors are increasingly more focused on reputation, compliance track record and audit trail.

We have a clear governance structure and experienced senior management across all parts of our organization so that all key components of the business receive appropriate attention. Our centralized operational risk management and compliance function ensure central implementation of requirements and guidelines, as well as standardized risk policy and measures. Our compliance operations have been designed with a focus on three main objectives: to ensure compliance with applicable laws and regulations, to enforce a fair treatment of debtors and to preserve our reputation and the reputations of our clients. Our key areas of risk management include data protection, anti-money laundering and fraud prevention.

Our approach to compliance includes a "three lines of defense" model to mirror the highest risk management standards in the financial services industry: (1) operational risk management; (2) risk and compliance framework; and (3) internal and external audit. Our Executive Board is responsible for the overall effectiveness of risk management and compliance throughout our operating entities and is under the supervision of our Supervisory Board. Our Executive Board, in particular our CEO, has direct communication with the Compliance Officer, who in turn oversees the compliance coordinators at our various operating entities. All major compliance-related decisions are made by the Executive Board, with the Supervisory Board having a monitoring function. If necessary, we will appoint compliance committees to help execute decisions made by our Executive Board. For major compliance issues, we also have a compliance task force, which comprises our Compliance Officer and compliance coordinators. The task force is only called upon, in accordance with our anti-fraud policy, where there has been a compliance violation. As of the date hereof, we have not yet had to call upon the task force. We conduct group-wide compliance audits as well as ad-hoc

audits as necessary. In addition, as part of the annual accounting close, external auditors conduct a review of the adequacy of the risk management and compliance function.

In 2014, we implemented a Governance, Risk and Compliance cockpit, ("**GRC**"), to standardize and professionalize risk monitoring and reporting across all of our operating entities. We designed the GRC software tool according to the standard IDW PS 980 from the German Institute of Certified Accountants (*Institut der Wirtschaftsprüfer*) which sets forth basic elements to be included in a compliance management system. The GRC tool enables centralized implementation of requirements and guidelines and standardized risk approaches and measures with a focus on particular compliance areas, including data protection, anti-money laundering and fraud protection. The GRC tool provides a unified risk and reporting interface, which enables seamless reporting for audit purposes. The GRC tool enables the Compliance Officer to effectively identify compliance risks, the materiality of the risks and the appropriate function level to address the risk. The GRC also enables the Compliance Officer to effectively manage compliance tasks as they come due with processes in place to escalate overdue tasks.

We believe our compliance structure contributes to our low debtor complaints track record. For example, at our largest operating entity, SIR, we received, on average, only 0.045% new debtor complaints per year as a percentage of active accounts from 2012 through 2014. We have a defined process to address and resolve debtor complaints, including complaint evaluations, reporting and feedback to improve our collections procedures. For further information on the regulatory environment that we operate under, see "*Regulation*."

Marketing and Client Relations

We employ a comprehensive and coordinated approach to marketing and client relations. We have developed marketing and sales strategies which are tailored to each client sector. Our sales team takes into account identified trends and developments within each sector and derives a product development and strategy with clearly defined goals and new client targets. Our targeting effort is an essential component of our budgeting process, and we believe this approach allows us to develop the most appealing products and strategies for clients in a diverse range of business sectors. In addition to our in-house sales team, we have external sales representatives who support our sales efforts in specific industries.

We have developed a systematic framework to monitor sales effectiveness for our accounts with clients having annual revenue of more than €50 million, which we designate as large, well-known clients. Our sales team records achievements with these larger clients in an activity list, aggregated at a department level, which provides the principal balance, revenue and contract duration along with key identifying features for each contract. We also include information in this database on lost servicing and purchasing proposals, including principal balances, estimated revenue and any relevant client or market feedback. This database allows us to refine our commercial setup, marketing and sales strategies and revenue forecasts in real time.

We believe that caring for existing clients contributes to increased trust, which in turn results in a larger number of long-term relationships and new business opportunities. Our focus on client satisfaction is reflected by our track record of receiving repeat purchases from existing clients, and our ability to increase average contract terms to 2.3 years as of December 31, 2014, up from 1.7 years as of December 31, 2013. We won 26 and 16 new large, well-known clients in 2014 and in the first quarter of 2015, respectively. In addition, we acquired more than a thousand new contracts with SMEs in 2014. From January 1, 2013 to December 31, 2014, we increased our new business receivables under contract by 45%, based on face value of debt outstanding including fees and other charges. Our sales pipeline provides visibility into future revenue.

	2013	2014	Q1 2015
Duration of Large, Well-known Clients New or Renewed Contract (Years)............	1.7	2.3	2.3
New Large, Well-known Clients..	23	26	16

Technology Infrastructure

Our business model is based on a modern IT infrastructure which we believe is a key asset supporting our business needs in an efficient, scalable and optimized fashion. We rely on our IT systems for scalability of our business plans, for a high degree of standardization and automation, and for an integrated collections and financial infrastructure. In the period between January 1, 2011 and December 31, 2014, we have invested €16.4 million in the acquisition of property, plant and equipment/intangible assets, which mainly relate to our IT systems and related projects, with the goal of increasing standardization and automation while reducing operating costs by streamlining our IT operations. These projects include harmonization and centralization of our receivables management application, phinAMV, implementing ERP systems running on industry leading software (SAP Finance and Oracle Hyperion), and ongoing centralization and improvement of the IT organization and processes. We believe these projects have achieved tangible operational and financial benefits including increased efficiency through economies of scale and cost control.

We have also consolidated seven independent IT units into one IT operational structure with unified processes and governance. Our IT organization is overseen by our Chief Information Officer and comprises five operational areas, including our solution center, application operations and management, systems operations, IT service manager and IT operations manager. As of December 31, 2014, we had 48 FTEs in our IT operations, a decrease from 63 FTEs in 2012, reflecting improved efficiencies throughout the IT structure.

All major investments have been made and we are continuing to build on these investments to improve our IT functionality. We have budgeted approximately €5.3 million for ongoing maintenance and refurbishment of our IT systems through 2018 (thereof, €0.7 million, €1.1 million, nil and €3.4 million in the financial years ending December 31, 2015, 2016, 2017 and 2018, respectively).

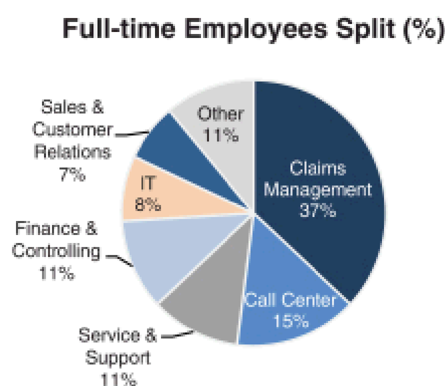
We believe that the high level of sophistication of our IT risk control and compliance processes creates trust for our business partners, debtors and stakeholders and provides us with a competitive advantage over our peers. We have designed our centralized IT systems for maximum resilience to any infrastructure failure, and Standard & Poor's has recognized our business continuity and disaster recovery excellence. Standard & Poor's provides investors with independent evaluations regarding a company's operational systems and processes.

Our disaster recovery processes, documents and guidelines as well as the relevant IT infrastructure meet the information technology security techniques and information security management systems requirements standards published by the International Organization for Standardization and the International Electrotechnical Commission, or ISO/IEC 27001. We review the effectiveness of these processes annually through internal audits and emergency tests. We are committed to maintaining high standards of data protection, client information and information security and have also aligned our information security management processes to the ISO/IEC 27001 standard. In addition, we effectively manage contracts with IT vendors and IT service providers to ensure compliance and optimize cost control.

Workforce and Employee Retention

As of December 31, 2014, we employed 801 employees in our continuing operations (full-time equivalents), representing 965 individual employees. We have decreased our headcount from 856 employees from our continuing operations (full-time equivalents) as of December 31, 2012 despite significant growth due to our continuous streamlining of operations and efficiency improvements, as well as centralization of certain functions such as HR, finance and IT. The majority of our employees are directly involved in claims management (debt collection and servicing), as well as our call centers. The following chart shows the percentage of full-time equivalent employees working in each of our departments as of December 31, 2014. Employees in the "Other" category include, among other functions, those working in our group marketing, human resources, and legal departments, as well as our trainees.

Full-time Employees Split (%)



We enjoy long tenure and high employee retention rates both at the management and group level, despite functional areas with typically high turnover rates such as call centers. For the year ended December 31, 2014, we had an employee turnover rate of approximately 5.1%. We maintain long tenure rates, with average tenure of 8.5 years for employees and 7.6 years for senior management and middle management, respectively. We also provide opportunities for our employees to advance internally with 75% of management positions filled by internal candidates. We have been certified for ten consecutive years as a "Top Employer" in Germany by the organization Top Employers Institute alongside certain blue chip companies, reflecting our attractiveness as an employer and our ability to retain talent and sector expertise.

Litigation

We are from time to time party to various claims and legal proceedings arising in the ordinary course of our business. Other than as discussed below, we have not been within the past twelve months, and we are not

currently a party to any governmental, legal, administrative, arbitration or dispute proceedings, either individually or in the aggregate, that have had, or are expected to have, a material adverse effect on our financial position or profitability, nor so far as we are aware, are any such proceedings pending or threatened.

There are currently three ongoing litigation matters involving GFKL Holdco with an amount in dispute in excess of €375,000.

- *ABIT Appraisal Proceedings*. At the time of the merger approval of ABIT AG with GFKL Holdco in June 2005 an exchange ratio of six GFKL Holdco shares for seventeen ABIT AG was determined and GFKL Holdco subsequently offered former shareholders of ABIT AG to repurchase their new shares of GFKL Holdco at a price of €13.93 per share. A group of former ABIT AG shareholders sued GFKL Holdco for cash compensation pursuant to Section 15 of the German Transformation Act (*Umwandlungsgesetz*) (*bare Zuzahlung*) claiming that the exchange ratio was inaccurate and also sought a higher cash amount to compensate for the loss of the ability to trade shares in an organized market (*Barausgleich*). Upon the unsuccessful termination of initial settlement discussions, in November 2012 the District Court (*Landgericht*) of Düsseldorf determined a higher cash amount to compensate for the loss of the ability to trade shares in an organized market but denied the claim for a cash compensation amount pursuant to Section 15 of the German Transformation Act. Several claimants and GFKL Holdco filed an appeal against this decision. An immediate appeal (*sofortige Beschwerde*) was filed by several claimants as well as by GFKL AG against this decision. On October 31, 2013, the Higher Regional Court (*Oberlandesgericht*) of Düsseldorf repealed the decision of the District Court of Düsseldorf and referred the proceedings back for a new decision. A hearing was then held by the District Court(*Landgericht*) of Düsseldorf in September 2014 in which an auditor presented a new range of values for the two entities involved in the merger. On May 12, 2015, the District Court of Düsseldorf held in a procedural decision that recent changes in the interpretation of applicable law by the German Federal Supreme Court (*Bundesgerichtshof*) would not apply to the pending appraisal proceedings to determine a higher cash amount to compensate for the loss of the ability to trade shares in an organized market. However, GFKL Holdco has filed an appeal against this procedural decision that has not yet been resolved. Based on the District Court (*Landgericht*) of Düsseldorf's decision, as of December 31, 2014, GFKL Holdco has made a provision in an amount of €7.3 million that we believe would be sufficient to cover additional cash payments to minority shareholders.
- *Neckermann Litigation*. Pursuant to a receivables purchase agreement entered into in November 2007, GFKL Holdco purchased more than €270 million principal amount in enforceable receivables at a total purchase price of €17.2 million from neckermann.de GmbH ("**Neckermann**"). GFKL Holdco transferred its rights under the receivables purchase agreement as part of a financing in 2007 to Compass Explorec Limited ("**Compass**") and, upon termination of the financing, the rights passed back to GFKL Holdco in February 2014. Compass is currently in liquidation. In 2009, Compass filed a claim against Neckermann with an amount in dispute of more than €2 million based on the alleged infringement of guarantee claims under the original receivables purchase agreement. Insolvency proceedings over the assets of Neckermann were opened in December 2012. Compass filed its claim against Neckermann with Neckermann's insolvency administrator who subsequently disputed the claim. As successor in interest to Compass' claims, GFKL Holdco is currently negotiating with the insolvency administrator regarding a potential withdrawal of the respective claims from this filing as well as a settlement of the legal proceedings.
- *Corporate Income Taxation Litigation*. In August 2009, GFKL Holdco requested a binding tax ruling (*verbindliche Auskunft*) by the German tax authorities regarding the application of a restructuring privilege under the then-existing German corporate income tax legislation. The binding tax ruling was issued in September 2009 confirming the applicability of the restructuring privilege and therefore, the possibility to apply the losses carried forward by GFKL Holdco in future financial years irrespective of any change in the majority shareholding. The European Commission subsequently declared the restructuring privilege to be unlawful state aid and, in April 2011, the German tax authorities withdrew the previous binding tax ruling. The formal objection of GFKL Holdco in April 2011 was rejected and the tax assessments for the financial years 2009 and 2010 denied the tax loss carry-forward, however, suspension of payment was granted in the amount of the applicable tax loss carry-forward. In December 2011, GFKL Holdco, along with fourteen similarly affected companies, filed suit against the European Commission before the European Court of First Instance. Currently, twelve of these actions have been suspended, with only two claims, including that of GFKL Holdco, going forward as model suits. Written pleadings have been filed in GFKL Holdco's suit and the written proceedings have ended; an oral hearing was held in early July 2015. As of the date hereof, the outcome of these proceedings and the date on which a final ruling is expected remain uncertain. GFKL Holdco has made a provision in the full amount of suspended tax payments and corresponding interest due (*i.e.*, €13.6 million (including interest) was allocated to the provisions as of December 31, 2014) if the tax losses cannot be carried forward.

Insurance

Our group-wide insurance policies include insurance to cover risks associated with our businesses, including general liability, crime insurance, professional liability and directors' and officers' liability insurance. We believe that the types and amounts of insurance coverage that we maintain are consistent with customary industry standards in Germany. However, no assurances can be given that we will continue to maintain current levels of insurance coverage. A successful claim of sufficient magnitude that is not covered, or only partially covered by insurance, could have a material adverse effect on us and our financial condition. Furthermore, our insurance policies do not cover any violation of representations and warranties in debt purchase contracts. In addition, we did not take out insurance for our representations and warranties in the purchase agreements related to the disposal of certain former group companies.

Real Property

We operate our businesses at premises which are leased from third parties pursuant to 14 lease agreements mainly for fixed terms relating to our 13 operating locations and our IT storage facility. None of our subsidiaries owns any real estate. We believe we have entered into the lease agreements on customary terms. Although some of the lease agreements may not be renewed at the end of the respective terms, our operations would not be disrupted if we decided not to renew or if the leases were cancelled.

Intellectual Property

We hold ten trademarks (five German and five EU trademarks) and 16 active domain names. We are not aware of any legal disputes pending or threatened in writing regarding intellectual property, in which we are or may become a party. Additionally, we have not been provided with information about any actual or potential infringement of intellectual property rights owned or used by any third party for which we may be held responsible.

We do not currently license out our intellectual property except for licensing standard and proprietary software products by our operating entity, ITT, to our clients in the ordinary course of business.

REGULATION

Debt collection services are to a limited extent subject to regulatory supervision in Germany. The legal framework governing debt collection services in Germany comprises, among others, the German Banking Act (*Kreditwesengesetz—KWG*), the German Legal Services Act (*Rechtsdienstleistungsgesetz*), the German Introductory Act to the Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz*) and the German Legal Services Regulation (*Rechtsdienstleistungsverordnung*) (together, the "**German Legal Services Regime**"). Our operations, including debt collection, debt purchase, the lawyer outsourcing process and our operations related to payment streams, are subject to these regulations. See "*Risk Factors*" and "*Our Business—Legal Framework*."

Regulation pursuant to the German Banking Act

Pursuant to the German Banking Act, factoring, *i.e.*, the ongoing purchase of receivables in a commercial manner or on a scale that requires professionally organized business operations and on the basis of framework agreements, qualifies as the provision of financial services which requires a license by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"). BaFin has, however, taken the view that the ongoing purchase of receivables only qualifies as financial services if such purchase serves financing purposes, which according to BaFin is not the case if the purchased receivables are already due and payable. In line with the interpretation by BaFin of the relevant provision of the German Banking Act, the purchase of receivables which are due and payable does not qualify as the provision of financial services under the German Banking Act and does not constitute factoring. As a result, BaFin has confirmed in writing that the debt collection business of the relevant subsidiaries of GFKL Holdco does not qualify as factoring within the meaning of the German Banking Act and consequently no license under the German Banking Act is required.

Regulation pursuant to the German Payment Services Supervisory Act

Pursuant to the German Payment Services Supervisory Act (*Zahlungsdiensteaufsichtsgesetz*), the provision and receipt of payments in the context of debt collection services may, under certain circumstances, amount to the provision of payment services, including in particular to the provision of financial transfer business (*Finanztransfergeschäft*), which would require a license pursuant to the German Payment Services Supervision Act. However, in line with BaFin's current administrative practice, debt collection does not amount to financial transfer business where the provision of debt collection services is limited to defaulted debt that has been outstanding for a certain period of time.

Regulation under the German Legal Services Regime

In Germany, debt collection for third parties qualifies as the provision of legal services which in general requires a registration under the German Legal Services Regime. Any debt collection agency applying for registration under the German Legal Services Regime needs to demonstrate, in particular, personal aptitude and reliability, theoretical and practical expertise in the area of the legal services to be provided and professional liability insurance coverage and is subject to supervision by the Courts of Appeals (*Oberlandesgericht*).

Legal entities are required to appoint at least one qualified employee, director or officer who commands the required aptitude, reliability and expertise. Such qualified person must be permanently employed at the respective debt collection company, must be authorized to issue instructions, but must not be subject to any instructions, with regard to all legal services provided by the respective agency and must be authorized to represent the debt collection company vis-à-vis third parties. The following subsidiaries of GFKL Holdco are registered for the provision of debt collection services under the German Legal Services Regime: SIR, DIG, PCS, IBW, ZYK, GCG, ITT and PPS.

In addition to these registration requirements, the German Legal Services Regime regulates the manner of the provision of debt collection services, in particular, with regard to information requirements and, indirectly, the remuneration of debt collection agencies, which is recognized to be part of a creditor's default damage (*Verzugsschaden*). As part of the creditor's default damage, servicer fees of a debt collection company can be charged to the debtor up to the amount of fees a lawyer could charge pursuant to the German Lawyer Remuneration Act (*Rechtsanwaltsvergütungsgesetz*). Similarly, costs in connection with the subsequent retention of external lawyers are frequently passed on to the debtor. Since November 2014, debt collection agencies have been subjected to increased notification and information obligations with respect to their dealings with debtors.

Data Protection

Several subsidiaries of GFKL Holdco process personal data in their businesses, both when providing third-party debt collection and debt purchase services. The processing of personal data by companies established in Germany is governed by the German Federal Data Protection Act (*Bundesdatenschutzgesetz*). The requirements include that personal data may only be collected, processed and used for legitimate purposes. Furthermore, data subjects need to be notified about the storage of their personal data and certain limitations for the storage period apply. Under the German Federal Data Protection Act, data subjects are also entitled to request information as to what is shared. Specific provisions in the German Data Protection Act regulate the legitimacy of credit reporting and scoring as well as transparency requirements for such types of data processing. Personal data relating to collected or purchased debt is partly governed by sector specific data protection regulations or secrecy obligations. Our business is dependent on the ability of third parties to provide us with personal data relating to collected or purchased debt, including personal data provided by the original creditors, credit information bureaus as well as publicly available personal data.

We are also subject to the supervision of local data protection authorities (**"DPA"**) in several states of the Federal Republic of Germany. To comply with regulatory requirements imposed on us, we have established data protection processes, including without limitation, appointing data protection officers, where required, and having in place protection policies for all employees dealing with personal data. Those of our subsidiaries that are credit bureaus, maintain or are in the process of obtaining data protection registrations with the applicable DPAs for each relevant subsidiary that controls the processing of personal data. DIG, in relation to PayProtect, is in the process of filing for registration under Section 4d of the Federal Data Protection Act (*Bundesdatenschutzgesetz*).

Data subjects, DPAs, competitors as well as consumer protection groups and other authorized associations may pursue claims against subsidiaries of GFKL Holdco for breach of the German Data Protection Act. The German parliament is currently working on a bill to extend the rights of consumer protection groups and other authorized associations to pursue such claims. Furthermore, debtors may challenge the validity of the transfer of purchased debt based on the infringement of data protection regulations or secrecy obligations. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business.

On January 25, 2012, the European Commission published its draft Data Protection Regulation. The current form of the draft regulation proposes substantial changes to the EU data protection regime, involving the partial replacement of the current national data protection laws by an EU regulation. When implemented, the regulation will likely strengthen individuals' rights and impose stricter requirements on companies processing personal data. Some of the main requirements proposed by the regulation include fines up to €1 million, or 2% of the global turnover on a group basis, whichever is greater, for breaches of the regulation, stricter requirements and internal processes for the transparency of processed data of individuals, requirements on computer safety measures and controls, increased rights of individuals to demand the deletion of processed data and obligations to demonstrate compliance with the regulation, including submitting data breach notifications to the relevant DPA and data subjects. On March 12, 2014, the European Parliament formally passed a revised proposal of the regulation that strengthened individuals' rights under the regulation and proposed stricter sanctions with fines of up to €100 million, or 5% of the global turnover on a group basis, whichever is greater.

The proposed regulation is continuing to progress through the legislative process. The next steps are for the European Council of Ministers to start the informal process and negotiate the proposed regulation with the European Parliament and the European Commission. As such, it is not currently possible to assess its full impact on our business, but the current drafts indicate that the regulation may include substantial further limitations and administrative burdens compared to the present law. In particular, the regulation could impair debt collectors' ability to use debtor data, for example, by restricting their ability to create debtor profiles. It is still uncertain whether the regulation will come into force at all and, if so, when this will occur. Furthermore, additional changes could be made to the draft that we cannot foresee at this time and that may have a materially adverse impact on our business, including debt collectors and debt purchasers. The present expectation is, that the regulation will be adopted by the end of 2015. If adopted, the regulation is expected to become directly applicable in the member states two years later.

Anti-Money Laundering and Terrorist Financing

Certain subsidiaries of GFKL Holdco must comply with applicable rules and regulations concerning anti-money laundering and terrorist financing. We have implemented a Group-wide procedure in relation to anti-money laundering and terrorist financing.

International Conventions

In our international debt collection operations we are subject to European Union legislation and international conventions, such as the European Council Regulation (EU) No. 1215/2012 of December, 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("**Brussels Ia**"), which applies as from January 10, 2015 and supersedes the European Council Regulation (EC) No. 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("**Brussels I**"), and the Conventions on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters as of October 30, 2007 ("**Lugano II**"). Brussels Ia and Lugano II both address issues on jurisdiction and recognition and enforcement of judgments in civil and commercial matters. The contents are mainly the same, but whereas Brussels Ia applies between the member states of the European Union, Lugano II applies between Iceland, Norway and Switzerland and the member states of the European Union in relation to these three states.

Under both Brussels Ia and Lugano II, judgments are, as a general rule, recognized without any special proceedings between the relevant states. Further, Brussels Ia and Lugano II allow judgments given and enforceable in one relevant state to be enforced in another relevant state following only an application to that effect.

MANAGEMENT

The Issuer is a public limited liability company (*société anonyme*), incorporated and existing under the laws of Luxembourg, and was formed to facilitate the Transactions. The directors of the Issuer are Cedric Pedoni, Christopher Pell and Eddy Perrier. The professional address for each of Cedric Pedoni and Eddy Perrier is 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg, while the professional address for Christopher Pell is 80 Pall Mall, London, SW1Y 5ES, United Kingdom.

Management of GFKL Holdco

GFKL Holdco (the "**Company**") is a stock corporation (*Aktiengesellschaft*) organized under the laws of Germany. GFKL Holdco was incorporated on August 24, 1992 as a limited partnership with a limited liability company as a general partner (*GmbH & Co. KG*) originally named PRO LEASE Leasinggesellschaft mbh & Co. KG (subsequently renamed Gesellschaft für Kommunal-Leasing mbh & Co KG). Pursuant to a partners' resolution dated August 12, 1997, the Company changed its legal form to a stock corporation and was renamed Gesellschaft für Kommunal-Leasing Aktiengesellschaft. On June 7, 1999, the shareholder's meeting of the Company resolved to rename the Company GFKL Holdco. The Company is registered with the commercial register of the local court of Essen (*Amtsgericht*) under registration number HRB 13522 and its registered office is Am Europa Center 1b, 45145 Essen, Germany. In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Company has a two-tier board system consisting of the Executive Board (*Vorstand*) and the Supervisory Board (*Aufsichtsrat*). The two boards are separate and, subject to limited exceptions, no individual may serve concurrently as a member of both boards.

The Executive Board is responsible for managing the day-to-day business of the Company in accordance with applicable German law and the Articles of Association (*Satzung*) as well as its rules of procedure (*Geschäftsordnung*). In addition, the Executive Board must ensure appropriate control of risk within the Company and its subsidiaries so that any developments jeopardizing the GFKL Holdco's future as a going concern may be identified at an early stage. The Executive Board legally represents the Company in dealings with third parties and in court.

The Supervisory Board advises the Executive Board on the management of the Company, monitors its conduct of business and is responsible for appointing and dismissing the members of the Executive Board for good cause. It also represents the Company in transactions between a member of the Executive Board and the Company. While the Executive Board is responsible for submitting regular reports on our business activities and fundamental issues relating to corporate planning (including financial, investment and personnel planning) to the Supervisory Board, the Supervisory Board has the right to request special reports at any time from the Executive Board. The Executive Board is also obliged to duly report to the Supervisory Board such transactions as may be of particular importance to the Company's profitability (in particular the return on equity) or liquidity, so that the Supervisory Board may have an opportunity to express its views on such transactions before they are concluded. The Supervisory Board may also request a report at any time on matters concerning the Company, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Company and its subsidiaries.

The Supervisory Board generally may not exercise management functions. The rules of procedure of the Executive Board, however, require that certain types of transactions may not be carried out by the Executive Board without the prior consent of the Supervisory Board. If the Supervisory Board refuses to approve a particular transaction or business activity contemplated by the Executive Board, the Executive Board can request that the shareholders' meeting (*Hauptversammlung*) decide the matter. However, the shareholders' meeting of a German stock corporation may not issue directives to the Executive Board.

The members of the Executive Board and the Supervisory Board owe duties of loyalty and care vis-à-vis the Company. In discharging their duties, the members of these corporate bodies must consider a broad range of interests, which in turn includes the interests of shareholders, employees, creditors and, to a certain extent, the general public. The Executive Board must also take due account of the shareholders' right to equal treatment and equal information. The members of the Executive Board or of the Supervisory Board are jointly and severally liable to the Company for any damages that may arise if they fail to discharge their duties.

As a basic principle under German law, a shareholder has no direct recourse against the members of the Executive Board or the Supervisory Board in the event that they breach a duty vis-à-vis the Company. Except for certain special circumstances, only the Company itself has the right to bring claims for damages against members of either board, whereby the Company is represented by the Executive Board when bringing claims against the Supervisory Board and by the Supervisory Board when bringing claims against the Executive Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is obliged to bring claims which are likely to be successful against the Executive Board unless material considerations pertaining to the interest of the corporation outweigh or are at least equivalent to those in favor

of enforcing such claim. Despite a refusal of the Supervisory Board to pursue a claim for damages, such a claim must be enforced (i) upon a resolution of the general shareholders' meeting, (ii) upon a petition with the competent court by minority shareholders meeting a certain minimum requirement as to their stake in the Company, or (iii) by the Company's creditors whose claims could not be settled by the Company. The Company may only waive or settle such claims for damages if at least three years have passed and if the shareholders approve the waiver or settlement at the shareholders' meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one tenth or more of the share capital and do not have their opposition formally recorded in the minutes maintained by the notary.

Under German law, no individual shareholder (or any other person) may exert its influence on the Company to cause a member of the Executive Board or the Supervisory Board to engage in any act detrimental to the Company. Shareholders with a controlling interest may not use it to cause the Company to act against its own interest unless the prejudice to its interests is compensated for. Any shareholder using its interest in the Company to cause a member of the Executive Board, a member of the Supervisory Board or a person who holds a power of attorney (*Prokurist*) or is authorized to act for the Company (*Handlungsbevollmächtigter*) to engage in any act detrimental to the Company or to our shareholders must compensate the Company and the shareholders for any loss sustained thereby. The Company has taken out a directors and officers liability insurance policy for all members of the Executive Board and the Supervisory Board.

Executive Board

General Information

The Executive Board is responsible for managing the business of the Company in accordance with the German Stock Corporation Act, the Company's Articles of Association and the rules of procedure (*Geschäftsordnung*) for the Executive Board. According to the Articles of Association, the Executive Board must consist of a minimum of two members. The Supervisory Board determines the number of members of the Executive Board and appoints such members. It may also appoint the Chairman and Deputy Chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. They may be repeatedly reappointed or their term of office may be extended, in each instance for a period of up to five years. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his or her term of office for cause, such as gross breach of duty or in case of a vote of no confidence by the shareholders' meeting.

Following the consummation of the German Company Conversion, the shareholders' meeting (*Gesellschafterversammlung*) will generally appoint one or more managing directors (*Geschäftsführer*) who will be responsible for managing the business of the Company and its representation in accordance with the German Limited Liability Companies' Act (*GmbHG*) and the Company's Articles of Association.

The Executive Board has overall responsibility for the Company's business. In accordance with its rules of procedures (*Geschäftsordnung*), each member of the Executive Board is assigned an area of responsibility defined in a plan forming part of the rules of procedure, which sets out the allocation of duties. Notwithstanding the overall responsibility held by the Executive Board, each member of the Executive Board is responsible for the area allocated to him or her. Pursuant to the rules of procedure of the Executive Board, certain management actions may only be taken, and certain types of transactions may only be concluded, with the approval of the Supervisory Board. As a rule, the Executive Board should meet twice per month. The Executive Board has a quorum if a meeting has been called with due notice and half of the members, but at least two members are present. If not otherwise required by law, the Executive Board decides by a simple majority of the votes cast. In the event of a tie, the meeting shall vote again with the chairman having two votes. Members of the Executive Board may not deal with, or vote on, measures relating to proposals, arrangements or contracts between himself or herself and the Company.

Individual board members serve as representatives with primary responsibility for the Company's various corporate functions and for the fields of business in which the Company operates. Despite this internal allocation of responsibilities, each member of the Executive Board has overall responsibility (*Gesamtverantwortung*) for the Company as a whole.

The Company's Articles of Association provide that the Company can only be legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with an authorized signatory who holds a power of attorney (*Prokurist*).

Members of the Executive Board

The following table sets forth the current members of the Company's Executive Board.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Kamyar Niroumand............	55	October 1, 2012	August 18, 2017	Chief Executive Officer	Managing Director of Proceed Portfolio Services GmbH
Marc-Ulrich Knothe............	47	May 1, 2011	April 30, 2017	Chief Operating Officer	Managing Director of GFKL Service Center GmbH
Christoph Pfeifer................	51	November 12, 2012	November 11, 2015	Chief Financial Officer	None

Kamyar Niroumand is our Chief Executive Officer. Following completion of his studies in business and engineering, Mr. Niroumand started his professional career at Siemens-Nixdorf Computer AG in 1986. In 1991, Mr. Niroumand became head of sales of computing services with debis Systemhaus GmbH and served as a managing director of dSH sfi GmbH. In 2000, Mr. Niroumand was a managing director of debis Systemhaus Solution for Healthcare GmbH and became chairman of the Executive Board of T-Systems CSM GmbH in 2001. From 2005, he was a member of the executive committee of T-Systems as Chief Sales & Service Officer. As managing director of T-Systems International GmbH, he was also responsible for business in growth regions. In 2006, Mr. Niroumand was appointed chairman of the executive board of Beta Systems Software AG, a position that he held until 2009. Prior to joining GFKL Financial Services AG as CEO in 2012, Mr. Niroumand served as member of the executive board of Software AG.

Marc Knothe is our Chief Operating Officer. He completed a commercial apprenticeship and studied business administration at the University of Applied Sciences in Ludwigshafen. Following his graduation in 1995, he worked as a team leader in the field of receivables management at Citibank's credit card subsidiaries in Frankfurt am Main and Nordhorn. Between 1998 and 2000, he worked for Citibank's card and retail finance business as Manager for Debt Collections and Fraud. In 2000, he moved to Düsseldorf where he was responsible for the establishment and management of fraud prevention for Citibank in Northern Europe. In 2002, Mr. Knothe became COO of GE Money Bank in Germany, leading the operations area at company locations in Austria and Germany. In 2005, he became COO of GE Money Bank in Russia before he left GE to join BAWAG PSK in Austria at the end of 2008, where he worked most recently as CIO. Mr. Knothe joined GFKL Financial Services AG in 2011 as COO and member of the Executive Board.

Christoph Pfeifer is our Chief Financial Officer. He studied business mathematics and started his career as a trainee at Deutsche Bank in 1992. He proceeded to support the divisional managing board as a consultant for technological strategy on the use of innovative technologies. In 1995, he became a project manager in Deutsche Bank's Retail & Private Banking Systems Division. Having completed his extra-occupational post-graduate studies of general management at USW Schloss Gracht, Mr. Pfeifer was appointed vice president of the POS & E-Commerce group at Deutsche Bank AG in 1997. At the beginning of 2000, he became a member of the extended executive board of easycash responsible for accounting and human resources. In the course of easycash's leveraged buyout in 2006, Mr. Pfeifer was appointed managing director and CFO. Mr. Pfeifer has served as CFO at GFKL Financial Services AG since November 2012.

The business address of each member of the Executive Board is Am Europa Center 1b, 45145 Essen, Germany.

Marc Knothe and Christoph Pfeifer have left the Company and no longer serve on the Executive Board as of August 24, 2015.

Supervisory Board

Overview

The Supervisory Board consists of three members of which two are elected by the Company's shareholders at the shareholders' meeting. The third member of the Supervisory Board is appointed by delegates of the employees of the Company in accordance with the German One-Third Participation Act (*Drittelbeteiligungsgesetz*) and the Articles of Association.

The Supervisory Board members elect one of the members as chairman (*Vorsitzender*) and at least one other member as vice-chairman (*Stellvertreter*) by a simple majority of the votes cast.

The term of a member of the Supervisory Board elected by the shareholders expires at the end of the shareholders' meeting resolving on the ratification of actions for the fourth financial year after the term of office commenced, not including the financial year in which the term of office commences. If a member of the Supervisory Board retires, or is removed from office prior to the end of his or her term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the

Supervisory Board. No former Executive Board members of the Company are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In order to constitute a quorum, all members must be invited with due notice and at least three members of the Supervisory Board must participate in the voting, which currently requires the participation of all members of the Supervisory Board.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

Members of the Supervisory Board

The following table sets forth the name, age, position and the year of appointment for each of the members of the Company's Supervisory Board:

Name	Age	Member since	Appointed until	Other principal positions
Ulrich Gasse	42	2015	—	Partner, Permira Beteiligungsberatung GmbH
Nicole Linke	38	2012	2017	—
Philip Muelder	40	2015	—	Partner, Permira Advisers LLP

Ulrich Gasse holds a degree in Law from Heidelberg University, Germany, and is a member of the bar association of Frankfurt am Main, Germany. Mr. Gasse is a partner of Permira Beteiligungsberatung GmbH and a member of the board of Permira Holdings Limited (PHL). Prior to joining Permira in 2004, Mr. Gasse worked for five years in the M&A and private equity department of an international law firm. Mr. Gasse is also a member of various supervisory boards.

Nicole Linke completed a traineeship as a legal secretary. In 2005, Ms. Linke became employed in the telephone debt collection department of Sirius Inkasso GmbH. Since 2011, she has served as a team manager. In 2007, Ms. Linke was elected as a member of the works council (*Betriebsrat*) of Sirius Inkasso GmbH, and became chairwoman in 2008. Ms. Linke was also chairwoman of the group works council (*Konzernbetriebsrat*). In 2012, Ms. Linke was elected as an employee representative on the Supervisory Board of GFKL Financial Services AG.

Philip Muelder is a partner at Permira and head of the London Office. He joined Permira in 2004 and was closely involved with establishing the Financial Services team in 2008. Philip has worked on a number of transactions including The AA, Saga, Provimi, Just Retirement, Bestinvest, Tilney and GFKL. Prior to joining Permira, Philip was a consultant at Bain & Co in London and Hong Kong. Philip holds an MBA from Harvard Business School.

The business address of each member of the Supervisory Board is Am Europa Center 1b, 45145 Essen, Germany.

Supervisory Board Committees

The Supervisory Board has not formed any committees.

Compensation of the Executive Board and Members of the Supervisory Board

Pursuant to the Company's Articles of Association, members of the Supervisory Board receive a fixed annual compensation in the amount of €20,000, while the Chairman receives a fixed annual compensation in the amount of €40,000. In addition, the Company pays an attendance fee of €1,000 per meeting to each member of the Supervisory Board up to a maximum amount of €6,000 per business year and reimburses the members of the Supervisory Board for their out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members. In 2014, the aggregate compensation of the members of the Executive Board and the members of the Supervisory Board amounted to €2.0 million.

Further Information about Members of the Executive Board and the Supervisory Board

During the last five years, no member of the Executive Board or the Supervisory Board has been convicted in relation to fraudulent offenses.

During the last five years, no member of the Executive Board or the Supervisory Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or involuntary liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any member of the Executive Board or the Supervisory Board has occurred. No member of the Executive Board or the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative,

management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last five years.

The Company has not granted any loans to Executive Board or Supervisory Board members. The members of the two corporate bodies have not concluded any transactions with the Company that lie outside the Company's normal operating activities.

No members of the Executive Board or the Supervisory Board have any actual or potential conflicts of interest between their duties to the Company and their private or other interests.

No Executive Board or Supervisory Board member has concluded any service contract with any of the Group's companies that includes special benefits upon the end of the service. No family relationships exist among the members of the Executive Board and the Supervisory Board or within any of these bodies. No member of the Executive Board and the Supervisory Board (including persons closely related to them) currently directly holds shares in the Company. However, prior to the Acquisition, the members of the Executive Board participated in a management equity participation program at the Company's parent level, which allow the members of the Executive Board to indirectly participate in the Company. A similar program is expected to be implemented going forward. See also "*Principal Shareholders*" and "*Certain Relationships and Related Party Transactions—Management Equity Participation Program.*"

Shareholders' Meetings

Pursuant to the Articles of Association, shareholders' meetings are convened by the Executive Board or, in certain instances, by the Supervisory Board. General shareholders' meetings take place at the Company's registered office. Each of the shares carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights of the shares of the Company.

Unless mandatory provisions of the German Stock Corporation Act or the Articles of Association state otherwise, shareholders' meeting resolutions are passed with a simple majority of the votes cast and, unless a majority of the capital is required by legal provisions over and above a majority of votes, with a simple majority of the share capital represented and entitled to vote on the resolution, unless a larger majority is required by mandatory legal provisions. The regular shareholders' meeting takes place within the first eight months of every business year.

PRINCIPAL SHAREHOLDERS

The Issuer will be ultimately beneficially owned by the Permira Funds and management. In particular, the Permira Funds have beneficial ownership, directly or indirectly through intermediate holding companies of the Issuer while certain employees and members of management are expected to have beneficial ownership, directly or indirectly, through a management equity participation program. The management equity participation program is expected to be implemented at the parent of Garfunkelux Holdco 2 S.A.

Permira Funds is a European private equity firm with a global reach. Permira, as adviser to the Permira Funds, has approximately 130 professionals in 14 offices worldwide, including Dubai, Frankfurt, Guernsey, Hong Kong, London, Luxembourg, Madrid, Menlo Park, Milan, New York, Paris, Seoul, Stockholm and Tokyo. Since 1985, it has secured €25 billion of committed capital. Over the last three decades, Permira Funds has completed over 200 transactions, investing in companies across the five key sectors on which they are focused (Consumer, TMT, Industrials, Financial Services and Healthcare).

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than they would expect to negotiate with disinterested third parties.

Management Equity Participation Program

In connection with the Transactions, a management equity participation program is expected to be implemented at the parent of Garfunkelux Holdco 2 S.A.

Indemnification Arrangements

To provide protection to individuals serving as our directors and executive officers, the current articles of association provide each of our present and former officers with an indemnity against loss or liability to the extent allowed by law. In addition, we maintain D&O insurance for the entire Group.

Consulting Services

We may enter into a consulting services agreement with Permira. Under the terms of the Indenture, we will be permitted to pay up to €2.0 million per year plus certain additional amounts to Permira for annual management, consulting, monitoring or advisory fees and related expenses.

Service Contract Relating to Web / IT Services

In January 2015, GFKL Holdco and AgenturWebfox GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law owned primarily by Ms. Andrea Niroumand, the spouse of our CEO, and Mr. Darius Niroumand who is the son of our CEO, entered into two website service contracts which will expire in January 2016 and February 2017, respectively. Both contracts will automatically renew for another twelve months if the parties do not terminate the contracts with prior written notice. Under these agreements, AgenturWebfox GmbH renders certain services to GFKL Holdco in connection with, *inter alia*, the establishment and development of GFKL Holdco's PayProtect website as well as IT-maintenance and support, in consideration for an hourly fee of €75 (net) and €60 (net), with a monthly budget of 60 hours and 70 hours, respectively.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. For further information regarding our existing indebtedness, see "Use of Proceeds," "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Revolving Credit Facility Agreement

Overview and structure

On June 29, 2015, BidCo (as original borrower), the Issuer and BidCo (as original guarantors), Holdco (as topco in respect of certain specific provisions), Goldman Sachs Bank USA, Credit Suisse AG, Citibank, N.A. London Branch, London Branch and ING Bank, a Branch of ING-DiBa AG (as lenders), ING Bank N.V. (as facility agent) and Citibank, N.A., London Branch (as security agent) (amongst others) entered into the Revolving Credit Facility Agreement.

The Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of €60.0 million on a committed basis. The Revolving Credit Facility may be utilized by any current or future borrower under the Revolving Credit Facility in euro, US dollars, Pounds Sterling or certain other currencies (if agreed) by the drawing of cash advances, the issue of Letters of Credit (upon the appointment of an Issuing Bank) and by way of any Ancillary Facilities that may be made available thereunder (each as defined in the Revolving Credit Facility Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings are available to be used for general corporate and working capital purposes of the Group (as defined in the Revolving Credit Facility Agreement) including, without limitation, for payment of interest under the Notes and, in respect of the issue of Letters of Credit, the Squeeze-Out.

In addition, the Issuer may elect to request additional facilities either as a new facility or as additional tranches of an existing facility under the Revolving Credit Facility Agreement (the "Additional Facility Commitments") in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC (following the amendment of certain provisions of the Revolving Credit Facility Agreement to reflect the terms of the Indenture as further described below under *Description of Certain Financing Arrangements—Revolving Credit Facility Agreement—Covenants*). The Issuer and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date and the availability period (each subject to parameters as set out in the Revolving Credit Facility Agreement). There are certain limitations (including as to maximum amount) on the ability to incur Additional Facility Commitments.

Availability

The Revolving Credit Facility may, subject to the satisfaction of customary conditions precedent, be utilized from (but excluding) the Completion Date until the date falling one month prior to the maturity date of the Revolving Credit Facility.

Borrowers and Guarantors

BidCo is the original borrower under the Revolving Credit Facility. A mechanism is included in the Revolving Credit Facility Agreement to enable certain of its subsidiaries to accede as additional borrowers or additional guarantors under the Revolving Credit Facility, subject to certain conditions. The Revolving Credit Facility Agreement also requires that, subject to, for the avoidance of doubt, the section entitled "*Guarantees*" below, in the future each member of the Group (as defined in the Revolving Credit Facility Agreement) which is or becomes a Material Company (as defined in the Revolving Credit Facility Agreement), or is otherwise required to become a guarantor in order to satisfy the Guarantor Coverage Test (as defined below), becomes an additional guarantor under the Revolving Credit Facility Agreement (subject to agreed security principles).

Maturity and Repayment Requirements

The Revolving Credit Facility matures on the earlier of (i) the date falling six and a half years from the Completion Date and (ii) the date falling three months prior to the earliest originally scheduled final maturity of the Notes (or any tranche thereof). 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 must be repaid in full on or prior to the maturity date for the Revolving Credit Facility. Amounts repaid by the borrowers on loans made under the Revolving Credit Facility may be re-borrowed during its availability period, subject to certain conditions. The termination date for a facility under an Additional Facility Commitment is the date agreed between the Issuer and the relevant lenders.

Interest Rate and Fees

The interest rate on loans under the Revolving Credit Facility is the rate per annum equal to the aggregate of the applicable margin plus LIBOR (or, in relation to advances in euro, EURIBOR) (as each term is defined in the Revolving Credit Facility Agreement). The initial margin under the Revolving Credit Facility is 3.50% per annum. If at least twelve months have expired since the Completion Date, provided that no event of default has occurred and is continuing, the margin on the loans are reduced if certain consolidated leverage ratios (as defined in the Revolving Credit Facility Agreement and representing the ratio of Consolidated Leverage (less certain cash and cash equivalents) on such quarter date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters (subject to certain provisions and adjustments), the first such period ending on the first quarter date that falls at each three months after the Completion Date (each such term as defined in the Revolving Credit Facility Agreement)) are met.

A commitment fee is payable on the aggregate undrawn and uncanceled amount of the Revolving Credit Facility which shall accrue from (and including) the Completion Date to (and including) the last day of the availability period for the Revolving Credit Facility at the rate of 35% of the then applicable margin for the Revolving Credit Facility. The commitment fee is payable quarterly in arrear, on the last day of the availability period of the Revolving Credit Facility and on the date the Revolving Credit Facility is cancelled in full or on the date on which a lender's commitment is cancelled. No commitment fee shall be payable unless the Completion Date occurs.

Default interest on overdue amounts are calculated at a rate which is 1% higher than that applicable to the loans under the Revolving Credit Facility.

BidCo is also required to pay customary agency fees to the facility agent and the Security Agent in connection with the Revolving Credit Facility Agreement. No such agency fees are payable unless the Completion Date occurs.

Guarantees

BidCo and the Issuer have provided a senior guarantee of all amounts payable to the Finance Parties (as defined in the Revolving Credit Facility Agreement) by them or any of their subsidiaries which accede to the Revolving Credit Facility Agreement as additional borrowers or additional guarantors.

Under the Revolving Credit Facility Agreement the Issuer must ensure that, within 60 days of the Completion Date and subject to agreed security principles, (i) the Target will accede to the Revolving Credit Facility Agreement as an additional guarantor (unless the merger between BidCo and the Target has become effective within such time period) and, (ii) sufficient members of the Group accede to the Revolving Credit Facility Agreement as additional guarantors in order that the guarantors under the Revolving Credit Facility Agreement represent no less than 80% of each of the consolidated EBITDA or the gross assets of the Group (as defined in the Revolving Credit Facility Agreement) (subject to certain exceptions) (the "**Guarantor Coverage Test**").

The Revolving Credit Facility Agreement requires that (subject to agreed security principles) each subsidiary of the Issuer that is or becomes a Material Company (which definition includes, among other things, any member of the Group (as defined in the Revolving Credit Facility Agreement) that has earnings before interest, tax, depreciation and amortization representing more than 5% of our consolidated EBITDA or gross assets representing more than 5% of the gross assets of the Group (as defined in the Revolving Credit Facility Agreement), subject to certain exceptions) following the Completion Date will be required to become an additional guarantor under the Revolving Credit Facility Agreement within 60 days following delivery of the annual financial statements for the relevant fiscal year demonstrating that such subsidiary is a Material Company.

Furthermore, if on the last day of a fiscal year of the Issuer falling after the Completion Date, the Guarantor Coverage Test is not satisfied, within 60 business days following delivery of the annual financial statements for the relevant fiscal year, such other restricted subsidiaries of the Issuer (subject to agreed security principles and certain exceptions) are required to become additional guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on such last day of the relevant fiscal year).

Notwithstanding the preceding three paragraphs, the obligations and/or undertakings under the Revolving Credit Facility Agreement to accede as guarantors as mentioned in such paragraphs (other than the Target) shall not be required to be satisfied prior to the date falling 10 business days after the date of the German Company Conversion, *provided* that the Issuer has first used its reasonable endeavors (as defined below) to satisfy such obligations and/or undertakings but the Executive Board of GFKL Holdco has withheld its consent (or has otherwise failed to give its consent) to the giving of the relevant guarantees and security. The Issuer shall be taken to have used its reasonable endeavors for these purposes, if the Issuer has procured that the

immediate holding company of GFKL Holdco has, within 60 days of the Completion Date: (i) requested that the Executive Board of GFKL Holdco review the finance documents relating to the Revolving Credit Facility Agreement and the Notes with a view to GFKL Holdco and/or certain of its subsidiaries becoming additional guarantors to facilitate compliance with such obligations and/or undertakings; (ii) provided the Executive Board of GFKL Holdco with all necessary information and co-operation reasonably requested by the Executive Board of GFKL Holdco to enable it to decide whether or not to consent to the providing of such guarantees and security; and (iii) if the Executive Board of GFKL Holdco has referred such decision to the shareholders assembly of GFKL Holdco, voted in favor of such decision.

Security

As from the Completion Date the Revolving Credit Facility will benefit from substantially the same security as will be provided for the Notes. Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the Collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding in respect of the Revolving Credit Facility in priority to the Notes.

Any Material Company or other member of the Group (each as defined in the Revolving Credit Facility Agreement) which becomes a guarantor of the Revolving Credit Facility is required (subject to agreed security principles) to grant security over its intragroup receivables and (if wholly owned by another member or members of the Group) to have its shares (or equivalent ownership interests) secured in favor of the Security Agent.

Representations and Warranties

The Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) authorizations; (vi) governing law and enforcement; (vii) no event of default; and (viii) accuracy of most recent financial statements delivered.

Covenants

The Revolving Credit Facility Agreement contains certain incurrence covenants and related definitions (with certain adjustments) that will be amended following the Issue Date to reflect the terms of the Indenture. In addition, the Revolving Credit Facility Agreement also contains certain other affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

The Revolving Credit Facility Agreement also contains a financial covenant, a brief description of which is set out below.

Notes Purchase Condition

The Revolving Credit Facility Agreement restricts the repayment, prepayment, purchase, redemption, defeasance, acquisition or retirement of the principal amount of the Notes or any permitted refinancing thereof prior to its scheduled maturity date in any manner which involves the payment of cash consideration by a member of the Group to a person who is not a member of the Group (each as defined in the Revolving Credit Facility Agreement) (a "**Notes Payment**"). A Notes Payment is permitted under certain circumstances, including where commitments under the Revolving Credit Facility are permanently cancelled (and, as applicable, amounts outstanding under the Revolving Credit Facility are permanently prepaid) in at least the same proportion as that by which the Notes or permitted refinancing thereof (as applicable) is repaid, prepaid, purchased, redeemed, defeased, acquired or otherwise retired (calculated by reference to the total Revolving Credit Facility commitments (as at the date the Revolving Credit Facility Agreement is entered into) and the aggregate principal amount of the Notes or permitted refinancing thereof (as applicable) in existence at the Completion Date or incurred at any time thereafter) at a time when no Event of Default (as defined in the Revolving Credit Facility Agreement) is continuing or would result from such payment. If the commitments under the Revolving Credit Facility have been reduced to €20 million no further cancellation and repayment under the Notes Purchase Condition shall be required as a condition to making a Notes Payment (*provided* that no event of default is continuing or would result from such Notes Payment).

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual audited and quarterly financial statements, compliance certificates and an annual budget; (ii) authorizations, (iii) compliance with laws and regulations; (iv) payment of taxes; (v) maintenance of material assets;

(vi) maintenance of *pari passu* ranking of the Revolving Credit Facility; (vii) preservation of rights under the Acquisition Agreement; (viii) maintenance of insurance arrangements; (ix) rights of access for the facility agent and Security Agent; (x) maintenance of intellectual property; (xi) satisfaction of Guarantor Coverage Test; (xii) repayment of certain existing financing arrangements; (xiii) implementation of the Squeeze-Out, the German Company Conversion and certain other related conditions subsequent; and (xiv) further assurance provisions.

Negative Covenants

The negative covenants include restrictions, among others, with respect to: (i) substantially changing the general nature of the business of the Group (as defined in the Revolving Credit Facility Agreement); (ii) the holding company activities of the Issuer and BidCo; (iii) amending, waiving or terminating the terms of the Acquisition Agreement; (iv) deliberately changing centers of main interest; and (v) non-compliance with economic sanctions. Otherwise, the negative covenants in the Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Indenture.

Covenant Suspension

Certain of the covenants under the Revolving Credit Facility Agreement will be suspended upon (i) a public offering of equity securities by any member of the Group (as defined in the Revolving Credit Facility Agreement) or any of the Issuer's holding companies and an achievement of a Leverage Ratio (defined as the ratio of Consolidated Net Indebtedness on the last day of such period to Consolidated EBITDA for the period of the most recent four consecutive financial quarters, each such term as defined in the Revolving Credit Facility Agreement) equal to or less than 2.00:1 (pro forma for any prepayment of certain indebtedness from the proceeds of such public offering) or (ii) an achievement by the Issuer (or any of its affiliates) of a long-term corporate credit rating of Baa3/BBB- or better by Moody's Investor Services, Inc. or Standard & Poor's Investors Ratings Services.

Mandatory Prepayment Requirements upon a Change of Control

On a Change of Control (as defined in the Revolving Credit Facility Agreement), each lender under the Revolving Credit Facility Agreement shall be entitled for a 30-day period after receiving notice thereof to require that all amounts payable under the Senior Finance Documents by the obligors to that lender will become immediately due and payable and the borrowers will immediately prepay or procure the prepayment of all utilizations provided by that lender and the undrawn commitments of that lender will be cancelled and such lender shall have no obligation to participate in further utilizations requested under the Revolving Credit Facility Agreement, in each case save to the extent that any ancillary lender or issuing bank, as between itself and the relevant member of the Group, agrees to continue to provide an ancillary facility or letter(s) of credit, in which case, after notification thereof to the facility agent such arrangements shall continue on a bilateral basis and not as part of, or under, the Senior Finance Documents (each defined term as defined in the Revolving Credit Facility Agreement).

Financial Covenants

If, on any quarter date in respect of the period of the most recent four consecutive financial quarters, the aggregate amount outstanding of all loan utilizations under the Revolving Credit Facility exceeds an amount equal to 30 per cent. of the total commitments under the Revolving Credit Facility, the Issuer is required to confirm whether or not the Leverage Ratio (as defined in the RCFA and representing the ratio of Consolidated Leverage (less certain cash and Cash Equivalents) on such quarter date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters (subject to certain provisions and adjustments) (the first such period ending on the first quarter date that falls at least three months after the Completion Date, each such term as defined in the Revolving Credit Facility Agreement)) exceeds 6.50:1.00. The covenant will be tested quarterly.

Any excess in the financial ratio test set out above will only permit the lenders under the Revolving Credit Facility Agreement to prevent a new utilization of the Revolving Credit Facility (excluding rollovers of existing utilizations) and will not constitute, or result in, a breach of any representation, warranty, undertaking, default, event of default or other term in the Revolving Credit Facility Agreement or any finance documents pertaining thereto.

The Issuer is permitted to prevent or cure excesses in the Leverage Ratio as described above by applying any cure amount (being amounts received by the Issuer in cash pursuant to any new equity or permitted subordinated debt) as if Consolidated Net Indebtedness (as defined the Revolving Credit Facility Agreement) had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than four cure amounts may be taken into account during the term of the Revolving Credit Facility and cure amounts in successive financial quarters will not be permitted.

Events of Default

The Revolving Credit Facility Agreement contains the same events of default, with certain adjustments, as those applicable to the Notes as set forth in the section entitled "*Description of the Notes—Events of Default.*" In addition, the Revolving Credit Facility Agreement contains the following events of default:

- inaccuracy of a representation or statement when made;
- breach of the Intercreditor Agreement; and
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the Revolving Credit Facility Agreement.

Intercreditor Agreement

On June 29, 2015 the Issuer, BidCo (together with the Issuer and Holdco, the "**Original Debtors**"), Holdco, Garfunkelux Holdco 1 S.à r.l., the lenders under the Revolving Credit Facility Agreement (the "**RCF Lenders**"), and the Security Agent, among others, entered into an intercreditor agreement (the "**Intercreditor Agreement**"), to which the Trustee will accede on the Issue Date. Certain hedging providers and certain subsidiaries of the Issuer (such subsidiaries, collectively with the Original Debtors, the "**Debtors**") may accede in the future. By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the Trustee to accede to the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, to be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes following the Trustee's accession to the Intercreditor Agreement on the Issue Date. It does not restate the proposed Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

The Intercreditor Agreement sets out, among other things, 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 debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Unless otherwise defined in this section or elsewhere in this Offering Memorandum to the extent not defined in the Intercreditor Agreement, capitalized terms set forth and used in this section have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

Parties

Upon the issuance of the Notes (and following the relevant accessions), the principal parties to the Intercreditor Agreement will be: (i) Garfunkelux Holdco 1 S.à r.l. in the capacity of Original Investor, (ii) Holdco as TopCo, (iii) the Issuer as the Parent, a Senior Secured Debt Issuer, (iv) the agent for the finance parties under the Revolving Credit Facility Agreement (the "**RCF Facility Agent**"), (v) the RCF Lenders, (vi) the Trustee, (vii) the Security Agent, and (viii) the Original Debtors.

The "**Super Senior Creditors**" include the RCF Lenders together with, upon accession, the Priority Hedge Counterparties (as defined below).

The "**Senior Secured Creditors**" include holders of the Senior Secured Notes (as defined in the Intercreditor Agreement), the Senior Secured Notes Trustee (as defined in the Intercreditor Agreement) together with, upon accession, the Non-Priority Hedge Counterparties (as defined below) and the Permitted Senior Secured Financing Creditors (as defined below).

The "**Group**" means the Issuer and its Restricted Subsidiaries.

The "**Holdco Group**" means Holdco and each member of the Group.

The Intercreditor Agreement allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant security, including:

(i) hedge counterparties pursuant to interest rate and foreign exchange hedging agreements in respect of liabilities to the RCF Lenders, liabilities to the holders of the Senior Secured Notes, the Permitted Senior Secured Financing Liabilities, the Permitted Senior Financing Liabilities and any other indebtedness which is not prohibited under the Secured Debt Documents and which ranks *pari passu* with any of the foregoing listed debt, which are secured on a super senior basis with (among other liabilities) the

Revolving Credit Facility (the "**Priority Hedging Agreements**" and the providers thereof the "**Priority Hedge Counterparties**");

(ii) hedge counterparties pursuant to interest rate or foreign exchange hedging agreements which are secured on a *pari passu* basis with (among other liabilities) the Senior Secured Notes and are not Priority Hedging Agreements (the "**Non-Priority Hedging Agreements**" and the providers thereof, the "**Non-Priority Hedge Counterparties**" and together with the Priority Hedge Counterparties, the "**Hedge Counterparties**," the Non-Priority Hedging Agreements together with the Priority Hedging Agreements, the "**Hedging Agreements**");

(iii) creditors of future indebtedness of the Group (the "**Permitted Senior Secured Financing Creditors**"), which is not prohibited under the terms of the Revolving Credit Facility Agreement and the Senior Secured Notes, is *pari passu* with, and not subordinated in right of payment to, the liabilities owed to the Senior Secured Creditors and which is not prohibited, under the terms of the Revolving Credit Facility Agreement or the Senior Secured Notes, from sharing in the Transaction Security with the rights and obligations of Permitted Senior Secured Financing Creditors (the "**Permitted Senior Secured Financing Debt**") the liabilities owed to such creditors being the "**Permitted Senior Secured Financing Liabilities**"); and

(iv) creditors of future indebtedness of the Holdco Group (the "**Permitted Senior Financing Creditors**"), which is not prohibited under the terms of the Revolving Credit Facility and the Senior Secured Notes and which is subject to certain provisions of the Intercreditor Agreement, junior to, and subordinated in right of payment to, the liabilities owed to the Senior Secured Creditors ("**Permitted Senior Financing Debt**"), the liabilities owed to such creditors being the "**Permitted Senior Financing Liabilities**," the agreements evidencing such liabilities and the fee letters in connection therewith (and any other document or instrument designated as such by Holdco and the agent, trustee or other relevant representative in respect of such liabilities (the "**Permitted Senior Financing Representative**")) being the "**Permitted Senior Debt Documents.**"

In addition: (i) any shareholder of Holdco that is a creditor of certain indebtedness of the members of the Holdco Group (an "**Investor**") shall be a party to the Intercreditor Agreement in that capacity. The Intercreditor Agreement contains customary subordination provisions and restrictions relating to the receivables owing from any member of the Holdco Group to any such Investor (the "**Investor Liabilities**"); and (ii) certain members of the Group that lend to a Debtor (each an "**Intra-Group Lender**") shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness owing from such Debtor to such members of the Group (the "**Intra-Group Liabilities**") provided the aggregate amount due by the Debtors to any such member of the Group exceeds €5,000,000 and, in the case of a member of the GFKL Group, the Structure Event has occurred or the Executive Board of GFKL Holdco has previously consented to such member of the GFKL Group acceding to Intercreditor Agreement as an Intra-Group Lender. The Intercreditor Agreement contains subordination provisions relating to any such Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the Revolving Credit Facility or the Indenture is continuing; and (iii) if Holdco lends to a member of the Group (the "**Holdco Lender**") it shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness made to members of the Group (the "**Holdco Liabilities**"), which includes the on-lending (if any) of the proceeds of any Permitted Senior Financing Debt by the Holdco Lender (the "**Holdco (Proceeds Loan) Liabilities**"). The Intercreditor Agreement contains subordination provisions relating to any such Holdco Liabilities.

The Intercreditor Agreement also includes the ability to: (i) replace the Revolving Credit Facility Agreement with a replacement revolving credit facility benefiting from a similar position under the terms of the Intercreditor Agreement; and (ii) issue further senior secured notes after the Issue Date. The terms set out in this summary in relation to the Revolving Credit Facility will apply to such replacement revolving credit facility and in relation to the Senior Secured Notes, will apply to such further senior secured notes.

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement provides that the liabilities of the Debtors (other than any Senior Debt Issuer, as defined in the Intercreditor Agreement) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) ***first***, the liabilities owed to the Super Senior Creditors (the "**Super Senior Creditor Liabilities**"), the liabilities owed to the Senior Secured Creditors including with respect to the Senior Secured Notes (the "**Senior Secured Liabilities**"), the liabilities owed to any Hedge Counterparty (the "**Hedging Liabilities**") (to the extent not already included in the Super Senior Creditor Liabilities), the Permitted Senior Secured Financing Liabilities, certain customary costs and expenses of the Senior Secured

Notes Trustee and any representative acting as a trustee under any issue of senior notes ("the **Senior Notes Trustee**") (the "**Trustee Liabilities**"), the liabilities owed to any agent (the "**Agent Liabilities**") under any Debt Documents (as such term is defined in the Intercreditor Agreement) the liabilities owed to any arranger under any Debt Document (the "**Arranger Liabilities**") and the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), *pari passu* and without any preference between them;

(b) ***second***, any guarantee liabilities owed to any Permitted Senior Financing Creditor (the "**Senior Guarantee Liabilities**," and, together with the Permitted Senior Financing Issuer Liabilities, the "**Senior Liabilities**") *pari passu* and without any preference between them;

(c) ***third***, the Holdco (Proceeds Loans) Liabilities;

(d) ***fourth***, the Intra-Group Liabilities; and

(e) ***fifth***, the Holdco Liabilities (other than the Holdco (Proceeds Loans) Liabilities).

The Intercreditor Agreement also provides that the liabilities of any Senior Debt Issuer shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) ***first***, the Super Senior Creditor Liabilities, the Senior Secured Liabilities, the Hedging Liabilities (to the extent not already included in Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), the Trustee Liabilities, any Senior Liabilities due by any Senior Debt Issuer in its capacity as a principal debtor with respect to the Permitted Senior Financing Liabilities (the "**Permitted Senior Financing Issuer Liabilities**") *pari passu* and without any preference amongst them; and

(b) ***second***, any Investor Liabilities.

Priority of Security

The Intercreditor Agreement provides that (subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below) the security provided for the Super Senior Creditor Liabilities, the Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar) and the Trustee Liabilities (the "**Transaction Security**") shall secure these liabilities *pari passu* and without any preference among them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Intercreditor Agreement contemplates that certain of the Collateral that is permitted to also be for, or is expressed to be for, or is not prohibited from being for, the benefit of the Permitted Senior Financing Creditors by the terms of the finance documents shall be "Shared Security" as defined in the Intercreditor Agreement (the "**Shared Security**") and shall rank and secure liabilities listed at (a) and (b) below in the following order:

(a) ***first***, the Super Senior Creditor Liabilities, Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), and the Trustee Liabilities, *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities); and

(b) ***second***, the Permitted Senior Financing Liabilities *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Investor Liabilities, the Holdco Liabilities and the Intra-Group Liabilities shall not be secured by the Transaction Security or the Shared Security.

Payments and Prepayments; Subordination of the Permitted Senior Financing Debt

The Debtors may make payments and prepayments in respect of the Senior Secured Liabilities and the Trustee Liabilities at any time in accordance with their terms.

The Debtors may make payments and prepayments in respect of the Priority Hedging Agreements and the Non-Priority Hedging Agreements if such payment is a scheduled payment arising under any such agreement or other customary payments under such agreement.

Any Senior Debt Issuer may make payments and prepayments in respect of any Senior Liabilities at any time in accordance with the terms of the relevant senior finance documents in its capacity as a borrower, issuer or equivalent.

Prior to the discharge of all Senior Secured Liabilities and all the Super Senior Creditor Liabilities due to the RCF Lenders (themselves the “**Senior Secured Debt Liabilities**” and such date being “**Senior Secured Debt Discharge Date**” and with the discharge date of all Super Senior Creditor Liabilities due to the RCF Lenders being the “**RCF Lenders Discharge Date**”), no member of the Group may make payments in respect of the Senior Liabilities without the Required Senior Consent (as that term is defined in the Intercreditor Agreement) except, and in addition to the paragraph above, as permitted by the Intercreditor Agreement including the following:

(1) if:

(a) the payment is of:

(i) any of the principal amount of or capitalized interest on the Senior Liabilities which is either (1) not prohibited from being paid by the Revolving Credit Facility Agreement, the Senior Secured Notes Indenture or any Permitted Senior Secured Financing Debt finance document or (2) paid on or after the final maturity date of the relevant Senior Liabilities or, in each case, a corresponding amount of Holdco Liabilities; or

(ii) any other amount which is not an amount of principal or previously capitalized interest (including any scheduled interest (whether cash pay or payment-in-kind) and default interest) or a corresponding amount of Holdco Liabilities;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Senior Liabilities (a “**Senior Payment Stop Notice**”) is outstanding; and

(c) no event of default under the finance documents in respect of the Senior Secured Debt Liabilities arising by reason of non-payment of any amounts due in connection therewith (a “**Senior Secured Payment Default**”) has occurred and is continuing; or

(2) certain amounts due to any Senior Notes Trustee for its own account;

(3) costs and expenses of any holder of a mortgage, charge, pledge, lien or other security interest having a similar effect (“**Security**”) in relation to the protection, preservation or enforcement of such Security;

(4) administrative and maintenance costs, taxes, fees and expenses of any Senior Debt Issuer (in its capacity as a borrower or issuer) incurred in respect of or in relation to (or reasonably incidental to) any Permitted Senior Debt Documents (including in relation to any reporting or listing requirements), provided that such costs and expenses are not incurred in respect of current, threatened or pending litigation against the Secured Parties (as such term is defined in the Intercreditor Agreement) (other than any Permitted Senior Financing Creditor); or

(5) costs, commissions, taxes, fees, premiums and expenses incurred in respect of or in relation to (or reasonably incidental to) any refinancing of the Permitted Senior Financing Liabilities not prohibited by the Intercreditor Agreement, the Revolving Credit Facility Agreement, the Senior Secured Bridge Facility Agreement, the Senior Secured Notes Indenture and any Permitted Senior Secured Financing Document.

Prior to the Senior Secured Debt Discharge Date, if a Senior Secured Payment Default is continuing all payments in respect of the Senior Liabilities (other than those for which Required Senior Consent has been obtained) will be suspended.

In addition, if an event of default (other than a Senior Secured Payment Default) under the finance documents in respect of the Senior Secured Debt Liabilities (each “**Senior Secured Event of Default**”) is continuing and any relevant Permitted Senior Financing Representative has received a Senior Payment Stop Notice from either the RCF Facility Agent or the Senior Secured Notes Trustee or other relevant representative of the Permitted Senior Secured Financing Debt (each, a “**Senior Secured Agent**”), from the date the relevant Permitted Senior Financing Representative, the Security Agent and Holdco receive the Senior Payment Stop Notice, all payments in respect of Senior Liabilities (other than those for which Required Senior Consent has been obtained) are suspended until the earliest of:

(a) 179 days after the receipt by the relevant Permitted Senior Financing Representative of the Senior Payment Stop Notice;

(b) if a Senior Standstill Period (as defined below) is in effect at any time after delivery of that Senior Payment Stop Notice, the date on which that Senior Standstill Period expires;

(c) the date on which there is a waiver or remedy of the relevant Senior Secured Event of Default;

(d) the date on which the Senior Secured Agent which delivered the Senior Payment Stop Notice notifies (among others) the relevant Permitted Senior Financing Representative, the Security Agent and Holdco that the Senior Payment Stop Notice is cancelled;

(e) the Senior Secured Debt Discharge Date; and

(f) the date on which the Security Agent or Senior Secured Agent takes any enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") against a Debtor which it is permitted to take in accordance with the Intercreditor Agreement,

provided that none of the circumstances described above shall prevent the Senior Debt Issuer from making or the Permitted Senior Financing Creditors from receiving payments in respect of the Senior Liabilities in accordance with the terms of the relevant Permitted Senior Debt Documents as a borrower and/or an issuer but only to the extent that the payment is not funded from the proceeds of a payment received from a member of the Group which is otherwise prohibited by the above or the relevant provisions in respect of Holdco Liabilities.

No new Senior Payment Stop Notice may be served by a Senior Secured Agent unless 360 days have elapsed since the immediately prior Senior Payment Stop Notice. No Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default more than 60 days after the date that the Senior Secured Agent received notice of that Senior Secured Event of Default. No Senior Secured Agent may serve more than one Senior Payment Stop Notice with respect to the same event or set of circumstances, and no Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default notified to a Senior Secured Agent at the time at which an earlier Senior Payment Stop Notice was issued.

If a Senior Payment Stop Notice ceases to be outstanding or the relevant Senior Secured Event of Default or Senior Secured Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant Debtor may then make those payments it would have otherwise been entitled to pay under the Permitted Senior Financing Debt and if it does so promptly any Senior Event of Default (and any cross-default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any notice which may have been issued as a result of that Senior Event of Default shall be waived. A Senior Secured Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Permitted Senior Financing Debt; Senior Standstill Period

Without prejudice to the rights of the Permitted Senior Financing Creditors to take Enforcement Action in relation to the Permitted Senior Financing Issuer Liabilities, prior to the Senior Secured Debt Discharge Date, no Permitted Senior Financing Creditor shall:

(a) direct the Security Agent to enforce or otherwise require the enforcement of any Transaction Security; or

(b) take or require the taking of any Enforcement Action in relation to the Senior Guarantee Liabilities,

without the prior consent of or as required by an Instructing Group (as defined below), except that such restriction will not apply if:

(a) an event of default under the finance documents in respect of the Senior Liabilities (a "**Senior Event of Default**") is continuing;

(b) each Senior Secured Agent has received notice of the relevant Senior Event of Default from the relevant Permitted Senior Financing Representative;

(c) a Senior Standstill Period (as defined below) has expired; and

(d) the relevant Senior Event of Default is continuing at the end of the Senior Standstill Period.

A "**Senior Standstill Period**" shall mean the period starting on the date that the relevant Permitted Senior Financing Representative serves an enforcement notice on each of the Senior Secured Agents until the earliest of:

(a) 179 days after such date;

(b) the date on which the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Liabilities (a "**Senior Guarantor**"), *provided* that the Permitted Senior Financing Creditors may only take the same Enforcement Action against such Senior Guarantor as is taken by the Senior Secured Parties;

(c) the date on which an insolvency event occurs in respect of any Senior Guarantor, in which case Enforcement Action is to be taken only against such Senior Guarantor;

(d) the date of the consent of the relevant Senior Secured Agents (acting on behalf of the relevant creditors); and

(e) the expiration of any other Senior Standstill Period which was outstanding at the date that the current Senior Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

Consultation

Prior to the RCF Lenders Discharge Date, if the Security Agent has received Conflicting Enforcement Instructions (as defined in the Intercreditor Agreement), it shall promptly notify each Hedge Counterparty (as applicable) and the Senior Secured Agents (each, an "**Agent**") and such Agents will consult with each other and the Security Agent in good faith for 30 days from the earlier of (i) the date of the latest such Conflicting Enforcement Instruction and (ii) the date falling ten Business Days after the date the original Enforcement Proposal (as such term is defined in the Intercreditor Agreement) is delivered in accordance with the Intercreditor Agreement (the "**Consultation Period**").

No such consultation shall be required where the Agents are in agreement with regard to any proposed Enforcement Action, or if:

(a) any of the Transaction Security has become enforceable as a result of an insolvency event; or

(b) creditors holding more than 66 ⅔% of the participations in the Super Senior Credit Liabilities (the "**Majority Super Senior Creditors**") or the creditors holding more than 50% of the participations in the Senior Secured Liabilities (the "**Majority Senior Secured Creditors**") determine in good faith (and notify each other representative agent of the Super Senior Creditors, the Senior Secured Creditors and the Permitted Senior Secured Financing Creditors, as applicable) that any delay caused by such consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Transaction Security or the realization proceeds of any enforcement of the Transaction Security; or

(c) if the relevant Senior Secured Agents agree that no consultation period is required.

Following the Consultation Period (or if the Consultation Period was terminated or not required as provided for above), there shall be no further obligation to consult and the Security Agent may act in accordance with the instructions as to enforcement (an "**Enforcement**") then or previously received from the Instructing Group (as defined below) and the Instructing Group may issue instructions as to Enforcement to the Security Agent at any time thereafter.

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles (as defined below), subject to the above, the relevant Senior Secured Agent shall give notice to the other representatives after which each such representative shall consult with the Security Agent for a period of 30 days (or such lesser period as the Senior Secured Agents may agree) with a view to agreeing the manner of Enforcement, *provided* that such representatives shall not be obliged to consult more than once in relation to each Enforcement.

For the purposes of Enforcement, an "**Instructing Group**" means, if prior to the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), the Majority Super Senior Creditors and the Majority Senior Secured Creditors, *provided* that if:

(a) the Super Senior Creditor Liabilities have not been repaid in full in cash within six months of the date of the first instructions of Enforcement given to the Security Agent; or

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu thereof) or other Enforcement Action within three months of the date of the first instructions of Enforcement given to the Security Agent,

then the Security Agent shall thereafter follow any instructions that are given (at the same time or subsequently) by the Majority Super Senior Creditors (in each case provided the same comply with the Security Enforcement Principles ("**Qualifying Instructions**") to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors) and "Instructing Group" in relation to such Enforcement shall mean the Majority Super Senior Creditors.

Subject to the foregoing, if at the end of the Consultation Period, the Security Agent has received Conflicting Enforcement Instructions then, in relation to such Enforcement, "Instructing Group" shall mean the Majority Senior Secured Creditors, *provided* that such instructions from the Majority Senior Secured Creditors are Qualifying Instructions, it being acknowledged that, subject to the other provisions of this Agreement, the

timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to such instructions will be determined by the Majority Senior Secured Creditors.

Security Enforcement Principles

The Intercreditor Agreement provides that Enforcement instructions must be consistent with the following principles (the "**Security Enforcement Principles**"):

(a) It shall be the primary and overriding aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from Enforcement of the Transaction Security, recovery by the Super Senior Creditors and the Senior Secured Creditors (the "**Security Enforcement Objective**").

(b) 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 Payments Waterfall (as defined below); or (ii) if Enforcement is at the direction of the Majority Senior Secured 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 Payments Waterfall, the Super Senior Creditor Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(c) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the Enforcement of the Transaction Security or Distressed Disposal will be determined by the Instructing Group, *provided* that it is consistent with the Security Enforcement Objective.

(d) On (i) a proposed Enforcement of any of the Transaction Security over assets other than shares in a member of the Holdco Group, where the aggregate book value of such assets exceeds EUR 5,000,000 (or its equivalent); or (ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Holdco Group over which Transaction Security exists, the Security Agent shall, upon instruction from the Instructing Group (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint an accounting firm of international standing and reputation, any reputable and independent international investment bank or other reputable and independent professional services firm with experience in restructuring and enforcement, in each case as selected by the Security Agent acting reasonably and in good faith (a "**Financial Advisor**") to opine as expert that the proceeds received from any such Enforcement are fair from a financial point of view after taking into account all relevant circumstances (the "**Financial Advisor's Opinion**").

(e) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement.

(f) The Financial Advisor'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.

(g) Where the Instructing Group is the Majority Senior Secured Creditors, the Majority Senior Secured Creditors may waive the requirement for a Financial Advisor's Opinion where 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 Payments Waterfall below, the Super Senior Creditor Liabilities are repaid and discharged in full.

(h) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in (d) above and such Enforcement is conducted by way of public auction, the Super Senior Creditors and the Senior Secured Creditors shall be entitled to participate in such auction on the basis of equal information and access rights as other bidders and financiers in the auction. There is no requirement in the Security Enforcement Principles summarized in this paragraph (h) that requires the Enforcement of Transaction Security to take place by way of public auction.

(i) In the absence of written notice from a Secured Party or group of Secured Parties that are not part of the relevant Instructing Group that such Secured Party/ies object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "**Objection**"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

(j) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisors and/or exercise its own judgment in accordance with the Intercreditor Agreement), a Financial Advisor'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) to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of paragraph (a) above has been met.

The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors and the Majority Senior Secured Creditors, *provided* that no additional obligations may be imposed on a member of the Holdco Group without the consent of the Issuer.

Turnover

Subject to certain exclusions set out therein, the Intercreditor Agreement also provides that if any Senior Secured Creditors, Permitted Senior Financing Creditors or Super Senior Creditors (each, a "**Primary Creditor**") receives or recovers the proceeds of any enforcement of all or part of the Transaction Security or any Distressed Disposal other than in accordance with the Payments Waterfall, then it shall:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold an amount of that receipt or recovery equal to the relevant liabilities on trust for the Security Agent and separate from other assets, property or funds and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Certain further turnover obligations following receipt of non-permitted payments apply to Permitted Senior Financing Creditors and Subordinated Creditors.

Application of Proceeds/Waterfall

All amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Transaction Security (other than the Shared Security) and all amounts required to be turned over pursuant to the Intercreditor Agreement (the "**Enforcement Proceeds**") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority (the "**Payments Waterfall**"):

- *first*, in discharging any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;
- *second*, in discharging (i) any Agent Liabilities, (ii) any Arranger Liabilities and (iii) any Trustee Liabilities, on a *pro rata* and *pari passu* basis;
- *third*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors or Senior Secured Creditors in connection with any realization or enforcement of the Transaction Security (other than Shared Security) taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *fourth*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fifth*, in payment to the Senior Secured Creditors for application towards the discharge of the Liabilities owed to the Senior Secured Creditors on a *pro rata* basis and *pari passu*;
- *sixth*, after the Final Discharge Date (as defined in the Intercreditor Agreement), in payment of the balance, if any, to the relevant Debtor or any other person entitled to it.

All amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Shared Security shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

- *first*, in discharging any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;
- *second,* in discharging (i) any Agent Liabilities or (ii) Arranger Liabilities and (iii) any Trustee Liabilities, on a *pro rata* and *pari passu* basis;
- *third,* in payment of all costs and expenses incurred by any Super Senior Creditor or Senior Secured Creditor in connection with any realization or enforcement of the Shared Security taken in accordance

with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;

- *fourth,* in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fifth,* in payment to the Senior Secured Creditors for application towards the discharge of the Liabilities owed to the Senior Secured Creditors on a *pro rata* basis and *pari passu*;
- *sixth,* in payment of all costs and expenses incurred by any Permitted Senior Financing Creditor in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *seventh*, in payment to the Permitted Senior Financing Creditors for application towards the discharge of the Senior Liabilities on a pro rata basis and *pari passu*; and
- *eighth,* following the Final Discharge Date, the balance, if any, in payment to the relevant Debtor to the relevant Debtor or any other person entitled to it.

Release and/or Transfer of Claims and Liabilities in Respect of the Permitted Senior Financing Debt and the Senior Secured Notes and the Transaction Security

Non-distressed Disposal

The Security Agent will (at the request and cost of the relevant Debtor or Holdco) promptly release from the Transaction Security and the relevant documents:

- any Transaction Security (and/or any other claim relating to a relevant finance document (a "**Secured Debt Document**")) over any asset which is the subject of:
  (i) a disposal not prohibited by the terms of any Secured Debt Document (*provided* that, in the case of a disposal to a member of the Holdco Group, the terms of "*Description of the Notes—Security—Release of Liens*" (or any equivalent provision in any other Secured Debt Document) are, or will be, complied with by the relevant members of the Holdco Group); or
  (ii) any other transaction not prohibited by the terms of any Secured Debt Document pursuant to which that asset will cease to be held or owned by a member of the Holdco Group;
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any document or other agreement requested in order for any member of the Holdco Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Secured Debt Document);
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any asset of any member of the Holdco Group which has ceased to be a Debtor in accordance with the terms of the Secured Debt Documents; and
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any other asset to the extent that such release is in accordance with the terms of the Secured Debt Documents.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor, in each case, *provided* that such disposal or other transaction is not prohibited under a Secured Debt Document, the Security Agent will (at the request and cost of the relevant Debtor or Holdco) promptly release that Debtor and its Subsidiaries from all present and future liabilities (both actual and contingent) under the Secured Debt Documents and the respective assets of such Debtor and its Subsidiaries (and the shares in any such Debtor and/or Subsidiary) from the Transaction Security and the Secured Debt Documents (including any claims relating to a Secured Debt Document and any guarantee or other liabilities).

When making any request for a release pursuant to the above Holdco will confirm in writing to the Security Agent that: (i) in the case of any release requested pursuant to sub-paragraph (i) above, the relevant disposal or other action is not prohibited by the terms of any Secured Debt Document and, in the case of a disposal to a member of the Holdco Group, the terms of "*Description of the Notes—Security—Release of Liens*" (or any equivalent provision in any other Secured Debt Document) are, or will be, complied with by the relevant members of the Holdco Group); and (ii) the release requested (or relevant action needing the release) is in accordance with (or is not prohibited by) the terms of, any Secured Debt Document and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent will (at the cost and expense of the relevant Debtor but without the need for any further consent, sanction, authority or further confirmation from any Creditor or Debtor) promptly enter into and deliver such documentation and/or take such other action as Holdco (acting reasonably) will require to give effect to any release or other matter contemplated by this section.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by Holdco in accordance with the terms of any of the Secured Debt Documents, the Security Agent and the other Secured Party will (at the cost of the relevant Debtor and/or Holdco) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Transaction Security documents as contemplated by the terms of any of the Secured Debt Documents (and the Security Agent is authorized by the Secured Parties to execute, and will promptly execute if requested by Holdco, without the need for any further any consent, sanction, authority or further confirmation from any Secured Party, any such release or document on behalf of the Secured Parties). When making any request pursuant to this paragraph, Holdco will confirm in writing to the Security Agent that such request is in accordance with the terms of a Secured Debt Document and the Security Agent will be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

In the case of any release of Transaction Security requested by the Issuer pursuant to the Revolving Credit Facility Agreement as part of a Permitted Transaction (as that term is defined in the Revolving Credit Facility Agreement) (a "**Permitted Transaction Request**"), when making that request the Issuer will confirm to the Security Agent that:

- such request is a Permitted Transaction Request (and absent any such statement in a request for a release the Security Agent shall be entitled to assume for all purposes that such request is not a Permitted Transaction Request); and
- it has determined in good faith (taking into account any applicable legal limitations and other relevant considerations in relation to that Permitted Transaction) that it is either not possible or not desirable to implement that Permitted Transaction on terms satisfactory to the Issuer by granting additional Transaction Security and/or amending the terms of the existing Transaction Security in lieu of the requested release,

and the Security Agent will be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

For the avoidance of doubt and notwithstanding anything to the contrary in the Permitted Senior Debt Documents, if any member of the Holdco Group is required to apply, or not prohibited under the Permitted Senior Debt Documents from applying, the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Secured Liabilities:

- no such application of those proceeds will require the consent of any party or Permitted Senior Financing Creditor or will result in a direct or indirect breach of any Permitted Senior Debt Document; and
- any such application will discharge in full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Permitted Senior Financing Liabilities.

The above paragraph is without prejudice to any right of any member of the Holdco Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Permitted Senior Financing Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or not prohibited by any other Secured Debt Document.

The Security Agent is irrevocably authorized to:

- release the Transaction Security; and
- release each investor (an "**Investor**"), Debtor and other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents,

on the Final Discharge Date (or at any time following such date on the request of Holdco), subject, in respect of the second bullet point above, to certain agency or trustee protective provisions in any of the Secured Debt Documents, which will survive the termination of the Intercreditor Agreement.

Distressed Disposal

A "**Distressed Disposal**" means a disposal of an asset of a member of the Holdco Group subject to the Transaction Security which is:

(a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable in accordance with the terms of the relevant Transaction Security documents;

(b) being effected by enforcement of the Transaction Security in accordance with the terms of the relevant Transaction Security documents; or

(c) being effected, after the occurrence of an Acceleration Event, by a Debtor or Holdco to a person or persons which is not a member of the Holdco Group.

Where a Distressed Disposal is being effected, the Intercreditor Agreement provides that the Security Agent is authorized:

(i) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of an Debtor, to release on behalf of the relevant Creditors, Debtors and Agents (a) that Debtor and any subsidiary of that Debtor from all or any part of: (x) the liabilities it may have as a principal Debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly) (the "**Borrowing Liabilities**") (other than Borrowing Liabilities of the Issuer and the Senior Debt Issuer); (y) the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have as or as a result of its being a guarantor or surety or giving an indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Secured Liabilities Documents or the Permitted Senior Debt Documents (as each such term is defined in the Intercreditor Agreement) (the "**Guarantee Liabilities**") and (z) any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to any Agent (other than any Hedge Counterparty), Arranger (as such term is defined in the Intercreditor Agreement), any Intra-Group Lender or any Debtor (the "**Other Liabilities**"); (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of an Investor, an Intra-Group Lender, or other Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release on behalf of the relevant Creditors, Debtors and Agents (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities (other than Borrowing Liabilities of the Issuer or the Senior Debt Issuer), Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets; and (c) any other claim of any Investor, Intra-Group Lender or another Debtor over the assets of that holding company or of any subsidiary of that holding company;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent decides to dispose of all or any part of (y) all present and future moneys, debts, liabilities and obligations due at any time of any Debtor or any holding company of such Debtor or any subsidiary of such Debtor or holding company owed to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly with any other person or in any other capacity, together with any additional liabilities (the "**Liabilities**") (other than Borrowing Liabilities of the Issuer or the Senior Debt Issuer); or (z) any liabilities owed by that Debtor to any other Debtor (whether actual or contingent and whether incurred solely or jointly) (the "**Debtor Liabilities**") (A) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities *provided* that notwithstanding any other provision of any Debt Document, the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and (B) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant creditors and Debtors; and

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent decides to transfer to another Debtor all or part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of (x) the Intra-Group Liabilities; (y) the Holdco Liabilities; or (z) the Debtor Liabilities, to execute and deliver or enter into any agreement to (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders, the Holdco Lender and relevant Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of

the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities are to be transferred.

If a Distressed Disposal is being effected such that Shared Security or any guarantees in respect of the Permitted Senior Financing Debt will be released or Permitted Senior Financing Debt will be disposed of, it is a condition to the release that either:

(i) each Permitted Senior Financing Representative has approved the release and/or disposal (as applicable) (acting on the instructions of the required percentage of Permitted Senior Financing Creditors in respect of which it is the Permitted Senior Financing Representative under the relevant Permitted Senior Debt Documents); or

(ii) where shares or assets of a Senior Guarantor or assets of the Senior Debt Issuer are sold:

(A) the proceeds of such sale or disposal are in cash (or substantially in cash); and

(B) all present or future obligations owed to the Super Senior Creditors and Senior Secured Creditors under the applicable Secured Debt Documents (the "**Senior Secured Debt Documents**") and the Hedging Agreements by a member of the Holdco Group all of whose shares are sold or disposed of pursuant to such Distressed Disposal, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale, provided that if each Senior Secured Agent (acting reasonably and in good faith):

- determines that the Super Senior Creditors and the Senior Secured Creditors (excluding in each case for these purposes the Hedge Counterparties) will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released and discharged; and
- serves a written notice on the Security Agent confirming the same,

the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(C) such sale or disposal is made:

- pursuant to a public auction; or
- where a Financial Adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement and the circumstances giving rise to such sale or disposal, *provided* that the liability of such Financial Adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities) will be paid to the Security Agent for application in accordance with the provisions set forth under "*—Application of Proceeds/Waterfall*" as if those proceeds were the proceeds of an enforcement of the Transaction Security.

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Senior Secured Notes and/or Permitted Senior Secured Financing Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and subject to the paragraph below and certain customary exceptions contained in the Intercreditor Agreement, amendments to or waivers and consents under the Intercreditor Agreement requires the written consent of:

(a) if the relevant amendment or waiver (the "**Proposed Amendment**") is prohibited by the Revolving Credit Facility Agreement, the RCF Facility Agent in accordance with that agreement;

(b) if any Senior Secured Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Secured Notes Indenture, the Senior Secured Notes Trustee;

(c) if any Permitted Senior Secured Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Secured Financing Agreement, the Permitted Senior Secured Financing Representative in respect of that Permitted Senior Secured Financing Debt in accordance with that agreement;

(d) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Debt Document, the Permitted Senior Financing Representative (as defined in the Intercreditor Agreement) in respect of that Permitted Senior Financing Debt in accordance with that document;

(e) if a Hedge Counterparty is providing hedging to a Debtor under a Hedging Agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable Hedging Agreement, as notified by Holdco to the Security Agent at the time of the relevant amendment or waiver);

(f) the Investors; and

(g) Holdco.

An amendment, waiver or consent which only affects secured parties under one Debt Document and does not materially and adversely affect the interests of other creditors, will require only the written agreement from the affected Secured Parties.

Other than when any such amendments, waivers or consents would adversely affect the nature of the Charged Property or the manner in which enforcement proceeds are applied, the Security Agent may, if authorized by an Instructing Group, and if Holdco consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Transaction Security documents which shall be binding on each party to the Intercreditor Agreement.

An amendment, waiver or consent which adversely relates to the express rights or obligations of an Agent, an Arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that Agent, that Arranger or the Security Agent (as the case may be) at such time.

The terms of the immediately preceding paragraph does not apply to any release of Transaction Security, claim or Liabilities or to any consent which the Security Agent gives in accordance with certain clauses of the Intercreditor Agreement.

Option to Purchase

Following an acceleration event under the Revolving Credit Facility Agreement, the Senior Secured Notes Indenture, in relation to any Permitted Senior Secured Financing Debt or in relation to any Permitted Senior Financing Debt (an "**Acceleration Event**"), by giving 10 days' notice to the Security Agent, the holders of the Senior Secured Notes or the Permitted Senior Secured Financing Liabilities may require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Lender Liabilities (as such term is defined in the Intercreditor Agreement), subject to certain conditions (including but not limited to full payment of all Credit Facility Lender Liabilities, cash cover, and associated costs and expenses, and provision of certain indemnities).

Following an Acceleration Event or the enforcement of any Transaction Security and after a Senior Secured Acceleration Event (as defined in the Intercreditor Agreement), a simple majority of the Permitted Senior Financing Creditors may, by giving 10 days' notice to the Security Agent, require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities, *provided* that certain conditions are met.

Hedging

All scheduled payments arising under a Hedging Agreement are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement contains customary provisions in relation to the circumstances in which a Priority Hedge Counterparty and a Non-Priority Hedge Counterparty may take Enforcement Action in relation to its hedging.

General

The Intercreditor Agreement contains provisions dealing with:

(a) close-out rights for the Priority Hedge Counterparties and the Non-Priority Hedge Counterparties;

(b) permitted payments (including without limitation, the repayment of Investor Liabilities and the payment of permitted distributions in each case to the extent not prohibited under the terms of the Revolving Credit Facility Agreement, the Senior Secured Notes Indenture or the finance documents relating to the Permitted Senior Secured Financing Debt or the Permitted Senior Financing Debt);

(c) incurrence of Permitted Senior Secured Financing Debt or Permitted Senior Financing Debt that will allow certain creditors and agents with respect to such Permitted Senior Secured Financing Debt or Permitted Senior Financing Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement so long as not prohibited under the Revolving Credit Facility Agreement, the Senior Secured Notes Indenture or, the financing documents relating to the Permitted Senior Financing Debt; and

(d) customary protections for the Security Agent, any Permitted Senior Financing Representative and the Trustee of the Senior Secured Notes.

The Intercreditor Agreement is governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising from it.

Proceeds Loan Agreement

On the Completion Date, the Issuer loaned the drawing under the Senior Secured Bridge Facility to BidCo pursuant to the Proceeds Loan Agreement dated the Completion Date. Following the Issue Date, the Proceeds Loan will be deemed to consist of the on-lending of the aggregate principal amount of the Notes.

After the Issue Date the Proceeds Loan will be denominated in euros in an aggregate principal amount equal to the aggregate principal amount of the Notes. The Proceeds Loan will bear interest from the Issue Date at a rate at least equal to the interest rate of the Notes. Interest on the Proceeds Loan will be payable semi-annually in arrears. On and following the Issue Date, the Proceeds Loan Agreement will provide that BidCo will pay the Issuer interest and principal that becomes payable on the Notes and any additional amounts due thereunder and any other amounts that may be required as a consequence of a Change of Control Offer or Asset Sale Offer (as defined under "*Description of the Notes*"). The Proceeds Loan will mature on the maturity date of the Notes.

Except as otherwise required by law, all payments under the Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that BidCo is required to make any such deduction or withholding, it shall pay such additional amounts to the Issuer as may be necessary to ensure that the Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Proceeds Loan Agreement had no such deduction or withholding been made.

The Proceeds Loan Agreement provides that all payments made pursuant thereto will be made by BidCo under the Proceeds Loan on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture.

Milla Securitization

GFKL Holdco and certain of its subsidiaries have sold certain non-performing receivables to Milla Securitisation (No. 1) Limited ("**Milla**"), a special purpose company established in Jersey, Channel Islands, pursuant to certain receivables purchase agreements entered into between GFKL Holdco and certain of its subsidiaries as sellers and Milla as purchaser. The outstanding principal amount of senior loans (the "**Senior Loans**") under the Senior Loan Agreements (as defined below) was €4.6 million as of May 31, 2015.

Receivables Purchase Agreements and Portfolios

GFKL Holdco, PCS and IBW (together, the "**Sellers**") have sold certain portfolios of non-performing receivables to Milla pursuant to separate receivables purchase agreements entered into between the Sellers as sellers and Milla as purchaser (the "**Receivables Purchase Agreements**"). GFKL Holdco has sold non-performing receivables originated by a German retailer from the mail order business and goods sold on credit to private individuals (the "**German Retailer Portfolio**") to Milla for a certain purchase price in 2013. PCS has sold non-performing receivables to Milla for a certain purchase price in 2013 and has sold additional non-performing receivables to Milla for a certain purchase price in 2014 (together, the "**PCS Portfolios**"). IBW has sold non-performing receivables to Milla for a certain purchase price in 2014 (the "**IBW Portfolio**" and, together with the Milla Portfolio and the PCS Portfolios, the "**Portfolios**").

The respective Seller provides certain representations and warranties for the benefit of Milla as purchaser. The breach of some of the representations and warranties which relate to the sold receivables, may result in an obligation of the Seller to repurchase the affected sold receivable upon request from Milla at a percentage of the *pro rata* share of the purchase price for the affected receivable by nominal outstanding balance of the receivable plus interest accrued at a certain percentage until repurchase.

Under the Receivables Purchase Agreements, Milla has appointed the respective Seller under that Receivables Purchase Agreement (each, a "**Servicer**") to service on behalf of Milla the receivables sold by that Seller for certain customary fees. GFKL Holdco has subcontracted the actual servicing activities to its subsidiaries SIR, DIG, PCS, IBW, and ZYK as sub-servicers (the "**Sub-Servicers**") which hold a collection license pursuant to the German Act on Legal Services (*Rechtsdienstleistungsgesetz*). The Sub-Servicers have confirmed the sub-services in a separate agreement with Milla.

Senior and Subordinated Funding

Milla has financed the payment of the purchase price for the acquisition of the Portfolios through funding by way of certain senior loan agreements entered into between, *inter alios*, Milla as borrower and Goldman Sachs Lending Partners LLC as original lender (the "**Senior Loan Agreements**") and certain subordinated loan agreements entered into between Milla as borrower and the respective Seller as subordinated lender (the "**Subordinated Loan Agreements**"). Payments by Milla of amounts owing by it are made pursuant to certain priority of payment waterfalls (the "**Priority of Payments**") set out in the documents.

With respect to GFKL Holdco and PCS as Sellers of the German Retailer Portfolio and the PCS Portfolios, Milla has entered into a senior loan agreement with Goldman Sachs Lending Partners LLC as original lender and certain other transaction parties (as amended and restated on March 19, 2014, including an increase of the commitment of the original lender). With respect to IBW as Seller of the IBW Portfolio, Milla has entered into a senior loan agreement with Goldman Sachs Lending Partners LLC as original lender and certain other transaction parties. Milla is obliged to repay the Senior Loans in certain amounts on each payment date in accordance with the Priority of Payments. The remainder shall be repaid at a certain repayment date. No amount repaid may be re-borrowed.

The lenders under the Senior Loan Agreements are entitled to transfer all of their rights and obligations under the Senior Loan Agreements to GFKL Holdco for a price being equal to the principal amount outstanding under the Senior Loan Agreements, accrued and unpaid interest and outstanding costs, for a period of one month after becoming aware of a change of control and if the cash payments actually provided are more than 20% below the planned expected cash flows on average over any aggregated period of three consecutive months at any time during the life of the Milla Securitization (the "**Milla Put**"). A "change of control" occurs, *inter alia*, if any person or persons acting in concert acquire directly or indirectly more than 50% (or 30% after an initial public offering) of the shares in GFKL Holdco (or the respective subsidiary of GFKL Holdco acting as seller under the related Receivables Purchase Agreement) or such number of shares in GFKL Holdco (or the respective subsidiary of GFKL Holdco acting as seller under the related Receivables Purchase Agreement) carrying more than 50% of the voting rights normally exercisable at the general meetings of GFKL Holdco or the respective subsidiary. Following the Acquisition, a change of control for purposes of the Milla Put was not deemed to have occurred because such change of control was waived by the lenders under the Senior Loan Agreements through a waiver dated June 29, 2015.

The obligations of Milla as borrower under the Senior Loan Agreements are secured by pledges over the respective operating accounts, assignment of all rights and claims under the fiduciary agreements regarding the collection accounts held by the servicers for the benefit of Milla and assignment of rights and claims of Milla under the transaction documents (excluding the Subordinated Loan Agreements). The Senior Loan Agreements contain certain negative and affirmative undertakings as well as a series of customary termination grounds, such as *e.g.* failure to pay, breach of other obligations, misrepresentation, insolvency, insolvency proceedings, creditors' process, unlawfulness and repudiation and material litigation.

In the event that GFKL Holdco were to be replaced as servicer under the Receivables Purchase Agreement relating to the Milla Portfolio, GFKL Holdco is entitled to demand transfer of all of the rights and obligations under the Senior Loan Agreements to itself.

GFKL Holdco, PCS and IBW as lenders have granted subordinated loans to Milla as borrower. The claims of the lenders under the Subordinated Loan Agreements rank junior to those of the lenders under the Senior Loan Agreements. Disbursement of each of the loans under the Subordinated Loan Agreements is set off in a corresponding amount against the purchase price payable to the Seller under the respective Receivables Purchase Agreement and the sellers therefore did not receive the full purchase price in cash.

DESCRIPTION OF THE NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Notes*" under the heading "*Certain Definitions*." For purposes of this "*Description of the Notes*," references to the "*Issuer*" are to Garfunkelux Holdco 3 S.A. only and not to any of its Subsidiaries. References to "we" or "us" are to the Issuer and its Subsidiaries, taken as a whole.

The Issuer will issue EUR 365 million aggregate principal amount of 7.500% Senior Secured Notes. The Notes will be issued under an indenture to be dated as of July 23, 2015 (the "*Indenture*"), between, *inter alios*, the Issuer, Garfunkel Holding GmbH ("*BidCo*") as a guarantor, Garfunkelux Holdco 2 S.A. ("*Holdco*"), as a security provider, Citibank, N.A., London Branch, as trustee (the "*Trustee*"), Citibank, N.A., London Branch, as paying agent, Citibank, N.A., London Branch, as transfer agent (the "*Transfer Agent*"), Citibank, N.A., London Branch, as registrar (the "*Registrar*"), and Citibank, N.A., London Branch, as security agent (the "*Security Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Notes. Copies of the Indenture, the form of Note, the Security Documents and the Intercreditor Agreement are available as set forth in this Offering Memorandum under the caption "*Listing and General Information*."

The proceeds of the Offering of the Notes sold on the Issue Date will be used, together with cash on hand, by the Issuer to refinance the Senior Secured Bridge Facility and pay the estimated fees and expenses incurred in connection with the Transactions, each as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

Upon the initial issuance of the Notes, the Notes will be obligations of the Issuer and will be guaranteed only by BidCo on a senior basis. Within 60 days of the Completion Date, unless the Target Merger has become effective prior to the end of such period, Carl Holding GmbH (the "*Target*") will guarantee the Notes on a senior basis. In addition, if the Structure Event occurs, the Notes shall, no later than 10 business days thereafter, be guaranteed on a senior basis by the Subsidiary Guarantors (as defined herein). See "*—The Note Guarantees*."

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions.

As of the Issue Date, all of our Subsidiaries will be "Restricted Subsidiaries" for purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes.

The Notes

The Notes will:

- be general senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Notes, including the obligations of the Issuer under the Revolving Credit Facility and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Guarantors as described under "*—The Note Guarantees*";

- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors;
- mature on August 1, 2022; and
- be represented by one or more registered Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes (see "*Book-Entry, Delivery and Form*").

All of the operations of the Issuer are currently conducted through the Target and its subsidiaries (the "*Target Group*") and, therefore, the Issuer depends on the cash flow of the Target Group to meet its obligations, including its obligations under the Notes. Under applicable regulation of Germany, cash and cash equivalents held by the Target Group can only be upstreamed to their direct or indirect parent entities, including to the Issuer for purposes of servicing the Notes, to the extent that sufficient cumulative distributable profits and cumulative reserves exist within these legal entities and that they continue to meet the relevant minimum capital requirements. Certain additional restrictions will apply before the German Company Conversion and, until the completion of the Squeeze-Out, any dividend from GFKL Holdco will be subject to payment of a *pro rata* dividend to GFKL Holdco's minority shareholders. The Issuer expects to service interest on the Notes with drawings by BidCo under the Revolving Credit Facility until the Structure Event is completed. See "*Risk Factors—Risks Related to Our Structure and the Financing—The Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuer*" and "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

As of March 31, 2015, after giving *pro forma* effect to the Transactions as if they had occurred on that date, the Issuer and its consolidated Subsidiaries would have had EUR 365 million of secured Indebtedness (excluding local facilities). In addition, there would have been EUR 60 million available for drawing under the Revolving Credit Facility.

The Note Guarantees

General

The Notes will be guaranteed (i) on the Issue Date by BidCo (the "*Issue Date Guarantor*") and (ii) within 60 days of the Completion Date, by the Target if the Target Merger has not occurred within 60 days of the Completion Date. In addition, if the Structure Event occurs, the Notes shall, no later than 10 business days thereafter, be guaranteed by GFKL Holdco and other Restricted Subsidiaries of the Issuer meeting, subject to the Agreed Security Principles at the time of grant, the Security Coverage Test unless the Security Coverage Test has been previously satisfied (the "*Subsidiary Guarantors*" and together with the Issue Date Guarantor and the Target, if applicable, the "*Initial Guarantors*"). In addition, if required by the covenant described under "*—Certain Covenants—Limitation on Additional Guarantees,*" subject to the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide a Note Guarantee in the future (the "*Additional Guarantors*" and, together with the Initial Guarantors, the "*Guarantors*"). The Note Guarantees will be joint and several obligations of the Guarantors.

The Note Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee (including Indebtedness Incurred under the Revolving Credit Facility and certain Hedging Obligations);
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of such Guarantor that are not Guarantors, including obligations to trade creditors.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, "thin capitalization" rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and

legal capital of the relevant Guarantor. Additionally, the Note Guarantees will be subject to certain corporate law procedures being complied with. The Note Guarantees will be further limited as required under the Agreed Security Principles which apply to and restrict the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Notes where, among other things, any such grant would be restricted by general statutory or other legal limitations or requirements and may be precluded if the cost of such grant is disproportionate to the benefit to the creditors, including the Holders, of obtaining the applicable guarantee. By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

At the time the last of the Subsidiary Guarantors provides its Note Guarantee (which will be no later than 10 business days after the Structure Event, if any), the Subsidiary Guarantors will represent, subject to the Agreed Security Principles, at least 80% of (i) Consolidated EBITDA disregarding the EBITDA of any member of the Group that generates negative EBITDA) and (ii) the gross assets of the Group (excluding all intra-Group items). Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries (if any). Although the Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

Note Guarantees Release

The Note Guarantee of a Guarantor will terminate and release:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- upon the sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Guarantor (other than to the Issuer or any of its Restricted Subsidiaries), if the sale or other disposition does not violate the Indenture;
- upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- upon the release of the Guarantor's Note Guarantee under any Indebtedness that triggered such Guarantor's obligation to guarantee the Notes under the covenant described in "*—Certain Covenants—Limitation on Additional Guarantees*";
- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- in connection with the implementation of a Permitted Reorganization; or
- with respect to an entity that is not the successor Guarantor, as a result of a transaction permitted by "*—Certain Covenants—Merger and Consolidation—The Guarantors*."

The Trustee and the Security Agent shall take all necessary actions reasonably requested in writing by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue EUR 365 million in aggregate principal amount of Notes ("*this series of Notes*"). This series of Notes will mature on August 1, 2022. The redemption price at maturity is 100.000%. This series of Notes will be issued in minimum denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof.

Interest on this series of Notes will accrue at the rate of 7.500% *per annum*. Interest on this series of Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on February 1 and August 1, commencing on February 1, 2016;
- be payable to the holder of record of such Notes on January 15 and July 15 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal, interest, premium or Additional Amounts will accrue at a rate that is 1% higher than the rate of interest otherwise applicable to this series of Notes.

If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Additional Notes

From time to time, subject to the Issuer's compliance with the covenants described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*," the Issuer is permitted to issue additional Notes of the same or different series, which shall have terms substantially identical to this series of Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee ("***Additional Notes***"):

(1) the title of such Additional Notes;

(2) the aggregate principal amount of such Additional Notes;

(3) the date or dates on which such Additional Notes will be issued;

(4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed;

(8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes; and

(9) any relevant limitation language with respect to Guarantees and Security Documents.

All series of Additional Notes will be treated, along with all other Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for any applicable series. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*," references to "*Notes*" shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes. Additional Notes may be designated to be of the same series as the Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the Notes initially issued on the Issue Date, and shall be

deemed to form one series therewith, and references to this series of Notes shall be deemed to include the Notes initially issued on the Issue Date as well as any such Additional Notes.

Methods of Receiving Payments on the Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Notes for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*" below.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in the City of London (including the initial Paying Agent). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended) or any other directive implementing the conclusions of the ECOFIN meeting of November 26 and 27, 2000 regarding the taxation of savings income (the "*Directive*"), or any law implementing or complying with or introduced in order to conform to, such Directive. The initial Paying Agent will be Citibank, N.A., London Branch (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar will be Citibank, N.A., London Branch and the initial Transfer Agent will be Citibank, N.A., London Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer. A register of the Notes shall be maintained at the registered office of the Issuer. In case of inconsistency between the register of the Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of the Notes. However, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- each series of 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 nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- each series of 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 nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and 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*") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" 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 EUR 100,000 principal amount, and integral multiples of EUR 1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer 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 "*Transfer Restrictions*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of EUR 100,000 in principal amount and integral multiples of EUR 1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the applicable Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of the applicable Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

Security

General

On the Issue Date, subject to the terms of the Security Documents and the Agreed Security Principles, the Notes will be secured by first-priority security interests ranking *pari passu* with the security interests securing the Revolving Credit Facility and certain hedging obligations (collectively, the "*Super Senior Obligations*") (subject to the provisions of the Intercreditor Agreement) over:

- the share capital of the Issuer and BidCo;
- Holdco's receivables under intragroup loans (if any) from Holdco to the Issuer;
- the Issuer's receivables under the proceeds loan from the Issuer to BidCo and any other receivables of the Issuer under loans made to its direct and indirect subsidiaries;
- bank accounts of the Issuer and BidCo; and

- BidCo's rights under the Acquisition Agreement and its receivables under any intragroup loans owed by the Issuer, the Target or any of the Target's Subsidiaries.

Within 60 days of the Completion Date, subject to the terms of the Security Documents and the Agreed Security Principles, the Notes will be secured by a first-ranking security interest ranking *pari passu* with the Super Senior Obligations (subject to the provisions of the Intercreditor Agreement) over the share capital of GFKL Holdco owned by the Target or BidCo, as the case may be, (if the Target Merger becomes effective in the period of five business days falling immediately before the end of such time period, the security over the share capital of GFKL Holdco shall be granted within five business days after the date falling 60 days after the Completion Date) and, if the Target Merger has not become effective within 60 days of the Completion Date, the Target's receivables owed by any member of the GFKL Group, BidCo or the Issuer. In addition, if the application for the Target Merger has not been duly filed by September 30, 2015, subject to the Security Documents and the Agreed Security Principles, the Notes will be secured by a first-ranking security interest ranking *pari passu* with the Super Senior Obligations (subject to the provisions of the Intercreditor Agreement) over the share capital of the Target within five business days following September 30, 2015; *provided* that if the merger application is duly filed by September 30, 2015 but thereafter rejected, and the Target Merger has not become effective on or before November 30, 2015, the Notes will be secured by a first-ranking security interest in the share capital of the Target within five business days of November 30, 2015.

If the Structure Event occurs, no later than 10 business days thereafter, the Notes will be secured, subject to the Agreed Security Principles, by first-ranking security interests in:

- the share capital of the Subsidiary Guarantors (other than GFKL Holdco); and
- all intragroup receivables of the Subsidiary Guarantors.

As described above, the Collateral will also secure the liabilities under the Revolving Credit Facility, certain Hedging Obligations and any Additional Notes and may also secure certain future Indebtedness. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes. No appraisals of the Collateral have been made in connection with this issuance of Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all.

Notwithstanding the provisions of the covenant described below under "—*Certain Covenants—Limitation on Liens*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles, including (but not limited to) if:

- the security to be provided by the Issuer and the Restricted Subsidiaries consists of security over any assets other than the intragroup receivables of, and the shares held by members of the Group in, the relevant entity;
- providing such security or guarantee would be prohibited by general legal and statutory limitations, such as regulatory restrictions, financial assistance, corporate benefit, capital maintenance, fraudulent preference, "interest stripping," "controlled foreign corporation," transfer pricing or "thin capitalization" rules, tax restrictions, retention of title claims and similar principles; *provided* that the Issuer or such Restricted Subsidiary, as applicable, shall use commercially reasonable endeavors to overcome any such limitation;
- providing such security or guarantee would require the consent of a supervisory board, works council, regulator or regulatory board (or equivalent), or another external body or person, unless such consent has been received; *provided* that reasonable endeavors have been used by the Issuer or such Restricted Subsidiary, as applicable, to obtain the relevant consent;
- (subject to certain exceptions) the cost of providing such security or guarantee (including adverse effects on taxes, interest deductibility and stamp duty, notarization and registration fees) is disproportionate to the benefit accruing to the holders;
- the assets are subject to third-party arrangements which may prevent those assets from being secured (or are assets which, if secured, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of either the Issuer or any of the Restricted Subsidiaries in respect of those assets or require such entity to take any action materially adverse to the interests of the Issuer and the Restricted Subsidiaries or any member thereof); *provided* that reasonable endeavors to obtain consent to charging any such assets shall be used by the Issuer or such Restricted Subsidiary, as applicable, in certain circumstances;
- providing such security or guarantee would not be within the legal capacity of the Issuer or such Restricted Subsidiary, or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition, *bona fide* contractual restriction or regulatory condition or would,

despite market standard limitation language, result in (or in a material risk of) personal or criminal liability on the part of any officer; *provided* that the Issuer or such Restricted Subsidiary, as applicable, shall use reasonable endeavors to overcome any such obstacle;

- providing such security or guarantee would have a material adverse effect on the ability of the relevant security provider to conduct its operations and business in the ordinary course (as otherwise permitted by the relevant finance documents); and
- the assets are those of any joint venture or similar arrangement or any minority interest.

For further information regarding limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law, see "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*" and each, a "*Security Interest*") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent and the Holders of the Notes under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement, the Security Documents and the security documents relating to the Revolving Credit Facility and such Hedging Obligations, which provide, among other things, that the obligations under the Revolving Credit Facility, certain Hedging Obligations and the Notes are secured equally and ratably by first priority Security Interests; however, under the terms of the Intercreditor Agreement, the holders of the Notes will only receive proceeds from the enforcement of the Collateral after certain super senior priority obligations including (i) obligations under the Revolving Credit Facility and (ii) certain priority Hedging Obligations have been paid in full. In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*," "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, the Issuer and certain of the Guarantors have granted, or will grant, security over the Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Notes, the Note Guarantees and the Indenture. The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted in its own name, but for the benefit of the secured parties (including itself, the Trustee and the holders of Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations.

The Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent in respect of the enforcement of the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Note Guarantees, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes, the Note Guarantees and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility or certain hedge counterparties. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The creditors under the Revolving Credit Facility, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, appointed the Security Agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility, the holders of Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, 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 relevant Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Indenture will also provide that each holder of the Notes, by accepting such Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

Holdco, the Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) other than the existing Security Interest in respect of shares of Capital Stock of the Issuer, in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in connection with the implementation of a Permitted Reorganization;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale or transfer of such property or assets, which may include Collateral, in each case pursuant to a Qualified Receivables Financing;

(8) in connection with any disposal of Collateral to the Issuer or a Restricted Subsidiary; *provided* that such release is followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets in a manner consistent with, and pursuant to applicable formalities under, the covenant described under "*—Certain Covenants—Impairment of Security Interest*";

(9) in the case of the Security Interest in respect of the Capital Stock of the Issuer, in connection with a Public Offering of the Issuer, which release shall be limited to any shares of Capital Stock of the Issuer sold or otherwise transferred to a Person that is not the Issuer or a Restricted Subsidiary; or

(10) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest*."

The Security Agent and the Trustee will take all necessary action reasonably requested in writing by the Issuer to effectuate any release of Collateral securing the Notes and the Note Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the relevant Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "*—Redemption for Taxation Reasons,*" this series of Notes is not redeemable until August 1, 2018.

On and after August 1, 2018, the Issuer may otherwise redeem all or, from time to time, part of this series of Notes upon not less than 10 nor more than 60 days' written 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 twelve-month period beginning on August 1 of the years indicated below:

Year	Redemption Price
2018	103.750%
2019	101.875%
2020 and thereafter	100.000%

The redemption price at maturity is 100.000%. Prior to August 1, 2018, the Issuer may on any one or more occasions redeem in the aggregate up to 40% of the original principal amount of this series of Notes (including the original principal amount of any Additional Notes of the same series), upon not less than 10 or 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 (excluding the Equity Contribution) at a redemption price (expressed as a percentage of principal amount) of 107.500% as of the date of the applicable redemption notice, 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 principal amount of this series of Notes (including the original principal amount of any Additional Notes of the same series) issued under the Indenture remain outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to August 1, 2018, the Issuer may redeem all or, from time to time, a part of this series of Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of this series of Notes, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

We may repurchase the Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under "—*Selection and Notice*."

If the Issuer effects an optional redemption of Notes, it will, for so long as Notes are listed on any securities exchange and the rules of such an exchange so require, inform the exchange of such optional redemption and confirm the aggregate principal amount of 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 Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of any series of Notes are to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption on a *pro rata* basis or in accordance with the procedures of Clearstream or Euroclear (as applicable), unless otherwise required by law or applicable stock exchange or depository requirements. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition for such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders of the Notes by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar with a copy to the Trustee and the Paying Agent. Such notice of redemption may also be sent in accordance with the rules and procedures of the Clearstream or Euroclear (as applicable). On and after the redemption date, interest ceases to accrue on the Notes or the part of the Notes called for redemption.

If any series of Notes is to be redeemed in part only, the notice of redemption that relates to that series of Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed.

Redemption for Taxation Reasons

The Issuer may redeem any series of Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders of the relevant series of Notes with a copy to the Trustee and the Paying Agent (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "—*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice)

(each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"), a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Tax Jurisdiction became a Relevant Tax Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—*Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of any series of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the Payor cannot avoid its 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 Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "*Payor*") in respect of the Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note is made by or on behalf of the Payor or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"), will at any time be required by law to be made from any payments made by or on behalf of the Payor or the relevant Paying Agent with respect to any Note or any Note Guarantee, as applicable, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or

Note Guarantee, as applicable, in the absence of such withholding or deduction; *provided, however,* that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture, a Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or a Security Document;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a reasonable written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed or withheld as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment under or with respect to the Notes or any Note Guarantee;

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the Directive, the Agreement between the European Community and the Swiss Confederation dated October 26, 2004 providing for measures equivalent to those laid down in the Directive (the "*Swiss Agreement*") or any law implementing, or complying with, or introduced in order to conform to, such Directive or the Swiss Agreement;

(7) any Taxes imposed or withheld in connection with a Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(8) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed or withheld pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner directly held such Notes.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld to each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the relevant Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Note Guarantee, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Notes after this issuance of Notes and limited solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) and (5) through (8) or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Note Guarantee) is made by or on behalf of such Payor, or any political subdivision or governmental authority thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to EUR 100,000 or integral multiples of EUR 1,000 in excess thereof, if applicable; *provided* that Notes of EUR 100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase any series of 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 Notes of such series and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of the Notes, with a copy to the Trustee:

(1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such 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*");

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

(4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and

(6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

(3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer.

A Holder willing to tender Notes into the Change of Control Offer shall notify its account manager of its election, who shall in turn notify the Paying Agent and the Trustee of such Holder's election. Once such tender has been accepted by the Issuer and notified to the Paying Agent, the Paying Agent shall promptly credit the bank account of such Holder the Change of Control Payment for such Notes so tendered and deduct the corresponding amount of such Notes from such Holder's Euroclear or Clearstream (as applicable) account.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition to such publication, not less than 30 nor more than 60 days prior to the redemption date, mail such notice to Holders of the Notes 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 sent in accordance with the rules and procedures of Euroclear or Clearstream (as applicable).

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all 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 providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase 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 at the option of each lender under the Revolving Credit Facility.

Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay

cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole 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 assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if, on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than (x) 4.5 to 1.0 or (y) 4.25 to 1.0 (with such Indebtedness and Consolidated EBITDA calculated using the applicable currency exchange rate in effect on June 30, 2015), to the extent that such Senior Secured Indebtedness is Incurred for the purpose of financing the Potential Acquisition); and (3) to the extent that Indebtedness (other than Senior Secured Indebtedness) is Incurred for the purpose of financing the Potential Acquisition, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries (with such Indebtedness and Consolidated EBITDA calculated using the applicable currency exchange rate in effect on June 30, 2015) would have been no greater than 5.5 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary 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) EUR 60 million, *plus* the greater of EUR 25 million and 7.9% of ERC, *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 Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to the Notes or a Note Guarantee, then the guarantee must be subordinated to the Notes or such Note Guarantee to the same extent as the Indebtedness being guaranteed; or (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 Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:

    (a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is a Restricted Subsidiary that is not a Guarantor, such Indebtedness is unsecured and (i) except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Restricted Subsidiaries and (ii) to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all obligations with

respect to the Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) and the related Note Guarantees;

(b) any Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness Incurred under the Revolving Credit Facility or Indebtedness described in clauses (1), (2), (3) or (4)(a) of this paragraph) outstanding on the Issue Date after giving *pro forma* effect to the Transactions;

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4)(a), (4)(b) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(d) Management Advances;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Issuer would have been able to Incur EUR 1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements and Interest Rate Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase 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 the greater of EUR 25 million and 12.4% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax ("*VAT*") or other tax guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement; *provided, however,* that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from the Acquisition Agreement and 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, in connection with a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

(d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of EUR 25 million and 7.9% of ERC;

(12) Indebtedness Incurred in a Qualified Receivables Financing;

(13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date other than the Equity Contribution; *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 under "*—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon; and

(14) Indebtedness Incurred under local overdraft and other local Credit Facilities 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 the greater of EUR 10 million and 5.0% of Total Assets;

provided, *however*, that no more than the greater of EUR 10 million and 5.0% of Total Assets of Indebtedness at any time outstanding may be Incurred by a Restricted Subsidiary which is not a Guarantor pursuant to clauses (11) and (14) under the second paragraph of this covenant.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness, other than Indebtedness which will continue to be secured on the Collateral and which benefits from super senior priority status pursuant to clause (b)(iii) of the definition of Permitted Collateral Liens, and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding under the Revolving Credit Facility on the Issue Date shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant;

(3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the 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;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

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 shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*," the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any EUR-denominated restriction on the Incurrence of Indebtedness, the EUR 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 or first Incurred (whichever yields the lower EUR equivalent), 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 EUR, and such refinancing would cause the applicable EUR-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such EUR-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the EUR equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the EUR) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in EUR will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer 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.

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee, if any, on substantially identical terms; *provided, however,* that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or

any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

  (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

  (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "*Restricted Payment*"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(b) the Issuer is not able to Incur an additional EUR 1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10), (11), (15) or (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

  (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

  (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an

issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions;

(iv) (a) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) or (b) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Issue Date, an amount equal to the amount of such Guarantee;

(v) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of “Permitted Investment”; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted 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 Issuer’s option) included in any of the foregoing clauses (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds EUR 10 million, by the Board of Directors of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, “*Permitted Payments*”):

(1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above;

(3) any purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "—*Limitation on Indebtedness*" above, and that in each case, constitutes Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness: (a) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*," but only (i) if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or Special Purpose Vehicle to permit any Parent or Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) EUR 7.5 million, *plus* EUR 2 million multiplied by the number of calendar years that have commenced since the Issue Date, plus (y) the Net Cash Proceeds received by the Issuer 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) 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 Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) plus (z) the net cash proceeds from key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions or Parent Debt Contributions;

(7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*";

(8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):

(a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or (ii) to the extent specified in clauses (2), (3), (5) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.5 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of EUR 15 million and 7.4% of Total Assets;

(12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(13) 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 (13);

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent 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 or Affiliate issued after the Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 2.75 to 1.0 on a *pro forma* basis after giving effect thereto;

(18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred

payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided, however*, that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed EUR7.5 million in any calendar year (with unused amounts in any calendar year being carried over in the next two succeeding calendar years);

(19) dividends, loans, distributions, advances or other payments by the Issuer or any of its Restricted Subsidiaries to or on behalf of the direct parent of the Issuer to service the substantially concurrent payment of regularly scheduled interest amounts due under any Senior Notes; *provided* that the net cash proceeds of such Indebtedness or of any Indebtedness for which such Indebtedness constitutes Refinancing Indebtedness have been contributed to the Issuer and such Indebtedness has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "*—Limitation on Indebtedness*"; and

(20) any dividends, distributions or other payments to any Parent or Unrestricted Subsidiary to the extent that such dividends, distributions or payments are made in order to carry out group contributions under the tax laws or regulations of an applicable jurisdiction up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliates or unitary basis on behalf of an affiliate group consisting only of the Issuer and its Restricted Subsidiaries.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Note Guarantee in the case of Liens of Guarantors) are directly secured, subject to the Agreed Security Principles (but without regard to any Agreed Security Principles limiting the types of assets that may be pledged to secure the Notes and the Note Guarantees under the Indenture), equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph 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 Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(b) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(c) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted

Subsidiary to other Indebtedness Incurred by the 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) and any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (including, without limitation, the Acquisition Agreement), (b) the Indenture, the Notes, the Intercreditor Agreement, the Security Documents or any related security documents or (c) any other agreement or instrument with respect to the Target or any of its Subsidiaries, in each case, in effect on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under "*—Merger and Consolidation*"), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument that extends, renews, refinances or replaces any of the encumbrances or restrictions referred to in clauses (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) or (2) of this paragraph or this clause (3); *provided, however,* that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

    (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

    (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or

    (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

(6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if (A) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Notes or (b) that constitutes an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Board of Directors of the Issuer); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

    (a) cash (including any net cash proceeds received from the conversion, within 180 days of such Asset Disposition, of securities, notes or other obligations received in consideration of such Asset Disposition);

    (b) Cash Equivalents;

    (c) the assumption by the purchaser of (x) any liabilities of the Issuer or its Restricted Subsidiaries recorded on the Issuer's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness as a result of such Asset Disposition;

    (d) Replacement Assets;

    (e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

    (f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

    (g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of EUR 15 million and 7.4% of Total Assets (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

    (h) a combination of the consideration specified in clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) 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; *provided, however*, that, in connection with any prepayment, repayment, purchase or redemption of term Indebtedness Incurred pursuant to this clause (1), the Issuer or such Restricted Subsidiary will retire such term Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem this series of Notes, any other series of Notes and/or Indebtedness (other than Subordinated Indebtedness or Indebtedness owed to the Issuer or any Restricted Subsidiary) that is secured by a Lien on the Collateral on a *pari passu* basis with the Notes, with respect to such other Indebtedness, at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such prepayment, repayment, purchase or redemption and with respect to any series of Notes, at a price of no less than 100% of the principal amount of the applicable series of Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Indebtedness (other than the Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the total aggregate principal amount of Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) purchase any series of Notes pursuant to an offer to all Holders of such series of Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, 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);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period, if the investment has not been consummated by that date,

provided, however, if the assets disposed of constitute Collateral or constitute all or substantially all of the assets of a Restricted Subsidiary whose Capital Stock has been pledged as Collateral, the Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any Capital Stock or assets acquired with the Net Available Cash from such disposition referred to in this covenant in favor of the Notes on a first-priority basis, subject to the Agreed Security Principles.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "*Excess Proceeds*." Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Indenture. On the 366th day after an Asset Disposition or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds EUR 15 million, the Issuer will be required within 30 Business Days thereof to make an offer (an "*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness that is secured by a Lien on the Collateral on a *pari passu* basis with the Notes, to purchase the maximum principal amount of 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 Notes in an amount equal to (and, in the case of any such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of EUR 100,000 and in integral multiples of EUR 1,000 in excess thereof (if applicable).

To the extent that the aggregate amount of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and such other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and such Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and such Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in EUR, such Indebtedness shall be calculated by converting any such principal amounts into their EUR equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of 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 Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of EUR 100,000 and in integral multiples of EUR 1,000 in excess thereof (if applicable). The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Paying Agent shall deliver to the Holders of Notes the purchase price of Notes validly tendered and not withdrawn and arrange for the deduction of the appropriate amounts of Notes from such Holders' accounts with Euroclear or Clearstream (as applicable). Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of EUR 5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction on an arm's-length basis 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 EUR 12.5 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of EUR 20 million, the Issuer has received a written opinion (a "*Fairness Opinion*") from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its 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 (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the 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 Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), between or among Restricted Subsidiaries or between or among the Issuer or any Restricted Subsidiary and any Receivables Subsidiary in connection with a Qualified Receivables Financing;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted

Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and entering into any proceeds loan in respect of the proceeds of any issuance of Senior Notes; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding or proceeds loans are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction, including satisfying payment obligations, with respect to any Subordinated Shareholder Funding or proceeds loan in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed EUR 2 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers a written letter or opinion to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) pledges of Capital Stock of Unrestricted Subsidiaries;

(14) any transaction effected as part of a Qualified Receivables Financing; and

(15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2015, annual reports containing: (i) an operating and financial discussion of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Issuer; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the Acquisition and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years, and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; (vi) ERC calculated on an 84-month, a 120-month and a 180-month basis, gross collections, adjusted EBITDA, ERC for the year's vintage, gross money multiple for the year's vintage and purchases for the year; and (vii) to the extent the reports of Holdco are provided hereunder pursuant to the immediately succeeding paragraph, a description of the material differences in the financial condition and results of operations between the Issuer and Holdco; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or, in the case of the fiscal quarter ended June 30, 2015, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ended

June 30, 2015, unaudited quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (other than the Acquisition and *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial discussion of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, ERC calculated on an 84-month, a 120-month and a 180-month basis, gross collections, adjusted EBITDA, purchases for the period, and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; and (vi) to the extent the reports of Holdco are provided hereunder pursuant to the immediately succeeding paragraph, a description of the material differences in the financial condition and results of operations between the Issuer and Holdco; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; *provided*, *further*, that in the case of the fiscal quarter ended June 30, 2015, the unaudited quarterly financial statements provided shall be those of the Company, on a consolidated basis, in addition to those of the Issuer; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition (other than the Acquisition), disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer or, to the extent the immediately succeeding paragraph is applicable, Holdco, a report containing a description of such event.

The Issuer shall have the option at any time to provide the reports set forth in (1) and (2) above as if each reference to the "Issuer" (except such references in (1)(vii) and (2)(vi)) had been to "Holdco."

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer's website. All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however,* that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of the Target Group may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer 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 Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer 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 Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity, or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States of America or the District of Columbia, Canada or any province of Canada or Switzerland and the Successor Company (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Company would be able to Incur at least an additional EUR 1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company for the most recently ended four full fiscal quarters for which financial statements are available immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee 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 is required in connection with such transaction) comply with the Indenture, and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Without prejudice to clause (3) in the immediately preceding paragraph, any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture, but in the case of a lease of all or substantially all of its assets, the predecessor company will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a Person.

The Guarantors

No Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of 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 Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;

B. (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing; and

C. the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all of the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Indenture;

provided, however, that the prohibition in clauses (1), (2) and (3) above shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

The provisions set forth in this "Merger and Consolidation" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading "*—The Issuer*" or clauses (A) and (B) under the heading "*—The Guarantors*," as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) "*—Limitation on Additional Guarantees*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*,"

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer 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 Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Issuer and Holdco shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer and Holdco shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) the Issuer, Holdco and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; (iii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; (iv) the Issuer, Holdco and the Restricted Subsidiaries may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization and (v) the Security Interests, and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); *provided, however*, that in the case of clauses (i) and (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced; unless, contemporaneously with any such action, the Issuer delivers to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, or of Holdco and its Subsidiaries, taken as a whole (as applicable), and of the person granting such Security Interest, in each case, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, as so amended, extended, renewed, restated, supplemented, released, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, to which such Lien or Liens were not otherwise subject immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Limitation on Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in

each case, of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee; *provided, however,* that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation other than reasonable out-of-pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Note Guarantees granted pursuant to this provision shall be released as set forth under "*—Releases of the Note Guarantees*." A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer or Holdco, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or clause (1), (2), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), Holdco, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Indenture or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including, with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any

personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the 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 Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*" and the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the listing agent for the Notes.

Limitation on Holding Company Activities

The Issuer may not carry on any business activity, hold any assets or Incur any Indebtedness other than in connection with:

(1) the provision of administrative, strategy, legal, accounting, tax, research and development, employee-related, management and other services to its Affiliates of a type customarily provided by a holding company (including entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group) and the ownership of assets and incurrence of liabilities related to the provision of such services;

(2) (a) the Incurrence of any Indebtedness or Subordinated Shareholder Funding permitted under the Indenture; (b) the conduct of any activities reasonably incidental to the Incurrence of such Indebtedness or Subordinated Shareholder Funding, including the performance of the terms and conditions thereof; and (c) the granting of Liens to secure Indebtedness, in compliance with the provisions of the Indenture;

(3) activities undertaken with the purpose of fulfilling its obligations or exercising its rights under the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Security Documents, and any finance and security arrangements not prohibited by the Indenture (including any indenture governing any Senior Notes and any related finance documents or security documents);

(4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares of BidCo, (iii) Permitted Investments, and (iv) other property and assets for the purpose of transferring such property and asset to any Parent or other Person;

(5) the management of the Issuer's and its Subsidiaries' assets and conducting activities and entering into transactions related or incidental to the establishment and/or maintenance of its or its Subsidiaries' corporate existence and any other transaction of a type customarily entered into by holding companies and their subsidiaries (including the payment of wages, Taxes and the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a holding company);

(6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited to be Incurred under the Indenture;

(7) the entering into and performance of any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants and other providers of goods and services; (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, engagement letters, underwriting agreements, agreements with Rating Agencies and other agreements in respect of its securities or any offering, issuance or sale thereof; (iii) engagement letters and reliance letters in respect of legal, accounting and other advice or reports received or commissioned by it, in each case, in relation to transactions which are not prohibited under the Indenture; and (iv) sale and purchase agreements in respect of any merger and acquisition activities;

(8) the listing of its Capital Stock and the issuance, offering and sale of its Capital Stock, including compliance with applicable regulatory and other obligations in connection therewith;

(9) the Acquisition, the Transactions and the Potential Acquisition;

(10) the undertaking of any other activities, the holding of assets and the incurrence of liabilities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) not material to the Issuer and its Restricted Subsidiaries (taken as a whole).

Post-Closing Undertakings

The Issuer shall use its commercially reasonable efforts to implement the Squeeze Out and complete it in accordance with the applicable German statutory provisions as soon as reasonably practicable after the Completion Date, and in any event, by no later than 18 months following the Completion Date, and thereafter to use its commercially reasonable efforts to take all steps required to complete the German Company Conversion, as soon as reasonably practicable after the Squeeze Out is completed, and in any event, within three months of the Squeeze Out being completed.

By the date falling 10 Business Days after the Structure Event, the Issuer shall procure that, unless the Security Coverage Test is satisfied at any time prior to the Structure Event, the Notes will, subject in each case to the Agreed Security Principles, be guaranteed by the Subsidiary Guarantors and secured by first-ranking security interests over the share capital of such Subsidiary Guarantors held by members of the Group (other than the share capital of GFKL Holdco) and intragroup receivables due to such Subsidiary Guarantors. For the purpose of this paragraph, Subsidiary Guarantors means those Guarantors which together with the Initial Guarantors would satisfy the Security Coverage Test at the time of providing the relevant Note Guarantee.

Within 60 days of the Completion Date, subject to the terms of the Security Documents and the Agreed Security Principles, the Issuer shall procure that the Notes will be guaranteed by the Target (unless the Target Merger has become effective) and secured by first-ranking security interests in the share capital of GFKL Holdco owned by the Target or BidCo, as applicable (if the Target Merger becomes effective in the period of five business days falling immediately before the end of such time period, such security shall be granted within five business days after the date falling 60 days after the Completion Date), and, if the Target Merger has not become effective within 60 days of the Completion Date, the Target’s receivables owed to it by any member of the GFKL Group, BidCo or the Issuer. If the application for the Target Merger has not been duly filed by September 30, 2015, subject to the terms of the Security Documents and the Agreed Security Principles, the Notes will be secured by a first-ranking security interests in the share capital of the Target within five business days following September 30, 2015, provided that if the merger application is duly filed by September 30, 2015 but thereafter rejected, and the Target Merger has not become effective on or before November 30, 2015, the Notes will be secured by a first-ranking security interest in the share capital of the Target within five business days of November 30, 2015.

If, prior to the Structure Event, GFKL Holdco or any of its Subsidiaries accedes to the Indenture and executes a Security Document, then promptly following the Structure Event, such Subsidiary Guarantor will at the request of the Security Agent (acting reasonably) enter into such guarantee and security confirmation agreements as are consistent with the existing Note Guarantee and Collateral to confirm the same.

Listing

The Issuer will use its reasonable best efforts to (i) obtain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading of the Notes on the Euro MTF Market of the Luxembourg Stock Exchange as promptly as practicable after the Issue Date and (ii) maintain such listing and admission to trading for so long as such Notes are outstanding; *provided* that if the Issuer is unable to obtain such listing, or if maintenance of such listing becomes unduly onerous, it will, prior to the delisting of the Notes from the Official List of the Luxembourg Stock Exchange, use its reasonable best efforts to obtain and maintain a listing of such Notes on another “recognised stock exchange” as defined in section 1005 of the Income Tax Act 2007 of the United Kingdom.

Payments for Consent

The Issuer will not, and 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 Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to such amendment in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude holders of Notes in any jurisdiction or any category of holders of Notes where (1) the solicitation of such consent, waiver or amendment, including in connection with any

tender or exchange offer, or (2) the payment of the consideration therefor could reasonably be interpreted as requiring the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws or listing requirements (including, but not limited to, the United States federal securities laws and the laws of the European Union or any of its member states), which the Issuer in its sole discretion determines (acting in good faith) (a) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction or with respect to such category of holders of Notes.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

(1) default in any payment of interest on any Note issued under the 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 Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer, Holdco (only with respect to the covenant under the heading "*—Certain Covenants—Impairment of Security Interests*") or any Restricted Subsidiary to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the 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 (i) 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 EUR 20 million or more or (ii) such Indebtedness is incurred pursuant to clause (1) or (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and secured by Collateral that is, in each case, granted super senior priority rights with respect to proceeds of enforcement of Collateral under the Intercreditor Agreement, and the Instructing Group (as defined in the Intercreditor Agreement or any Additional Intercreditor Agreement) has instructed the Security Agent to commence enforcement of Collateral with a fair market value in excess of EUR 20 million in circumstances where the Security Agent is permitted to take enforcement action in accordance with such instructions;

(5) certain events of bankruptcy, insolvency or court protection of Holdco, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer or any issuer of Senior Notes), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer or any issuer of Senior Notes), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of EUR 20 million (exclusive of any amounts for which a solvent insurance company has acknowledged liability), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of EUR 5 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer or any

Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable, and any such Default continues for 10 days; and

(8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee, by notice to the Issuer, or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture, by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the 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 Notes because an Event of Default described in clause (4) under the definition of "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the 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 Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture by notice to the Trustee may, on behalf of all Holders, 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 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 Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holder has offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification or other security satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to

monitor compliance by the Issuer with the Indenture. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being so notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*"), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of this Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, supplement, other modification or waiver will only amend, supplement or waive one series of the Notes, only the consent of a majority in aggregate principal amount of the then outstanding Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes affected, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder or, if any amendment, waiver or other modification will only amend, supplement, modify or waive one series of the Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of such series of Notes affected, with respect to any such series of Notes held by a non-consenting Holder:

(1) reduce the principal amount of 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 Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the 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 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 Notes;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the 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 Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents:

(1) to cure any ambiguity, omission, defect, error or inconsistency;

(2) to provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Notes Document;

(3) to add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) to make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) to make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Notes;

(6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness" or "—Limitation on Additional Guarantees*," to add Note Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor trustee or security agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility Agreement, in any property which is required by the Security Documents or the Revolving Credit Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*."

In formulating its decision on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel. The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For purposes of determining whether Holders of the requisite aggregate principal amount of any series of Notes have taken any action under the Indenture, the aggregate principal amount of such series of Notes will be deemed to be the EUR equivalent of the aggregate principal amount of such Notes as of (i) the record date

in respect of such action (if a record date has been set with respect to the taking of such action) or (ii) the date the taking of such action by Holders of the requisite aggregate principal amount of such Notes has been certified to the Trustee by the Issuer (if no such record date has been set).

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clause (3) above to add a Guarantor under the Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Indenture need only be duly authorized and executed by the Issuer and the Trustee.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding; *provided* that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which the Trustee knows are so owned shall be so disregarded.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Restricted Subsidiaries' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) under "*—Certain Covenants—Merger and Consolidation—The Issuer*") 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 any Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the 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 Issuer*"), (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant 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 received by the Issuer from, or published by, the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and qualifications), 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 Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be, and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (*provided* that such counsel may not be an employee of the Issuer or its Subsidiaries) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the 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 Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Citibank, N.A., London Branch is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee or any Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of then outstanding Notes, or may resign at any time by giving written notice to the Issuer, and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

Notices, warnings, summonses and other communications to the holders of the Notes from the Trustee shall be sent via Euroclear or Clearstream (as applicable) with a copy to the Issuer and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange). Any such notice or communication shall be deemed to be given or made when sent from Euroclear or Clearstream (as applicable). The Issuer's written notifications to the holders of Notes shall be sent through Euroclear or Clearstream (as applicable) with a copy to the Trustee and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange).

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of EUR-Denominated Restrictions

The EUR is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with this series of Notes and the related Note Guarantees, including damages. Any amount received or recovered in a currency other than EUR (in the case of this series of Notes), whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the EUR 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 EUR amount is less than the EUR amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Note Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any EUR-denominated restriction herein, the EUR equivalent amount for purposes hereof that is denominated in a currency other than EUR shall be calculated based on the relevant currency exchange rate in effect on the date such non-EUR amount is Incurred or made, as the case may be.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, 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 Notes, may not be collectable within the United States. See "*Risk Factors—Risks Related to Our Structure and the Financing—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability" and "Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and

state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

Governing Law

The Indenture and the Notes, 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.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the "*Luxembourg Companies Act 1915*"), are excluded. No Holder may initiate proceedings against the Issuer based on article 98 of the Luxembourg Companies Act 1915. Any resolution of the Holders to amend the corporate objects of the Issuer or the form of the Issuer, to change the nationality of the Issuer and/or increasing the commitments of the shareholders of the Issuer may only be taken, and any meetings of the Holders resolving thereupon must be convened and held, in accordance with the Luxembourg Companies Act 1915 as long as any specific requirements exist in this respect in the Luxembourg Companies Act 1915 (the "*Luxembourg Law Resolutions*"). A Luxembourg Law Resolution must be passed in accordance with the requirements of the Luxembourg Companies Act 1915. There are specific quorum requirements for Luxembourg Law Resolutions set out in the Luxembourg Companies Act 1915. Certain Luxembourg Law Resolutions passed at any meeting of the Holders will be binding on all Holders, whether or not they are present at the meeting. If there cease to be specific requirements under Luxembourg law for the above matters, the resolutions on these matters will be taken in the form of extraordinary resolutions.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer 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.

"*Acquisition*" means the acquisition of the Target by BidCo pursuant to the Acquisition Agreement.

"*Acquisition Agreement*" means the agreement for the sale and purchase of shares in and the shareholder loan granted to the Target dated May 17, 2015 between BidCo, as purchaser, and Advent Carl Luxembourg Finance S.à r.l., as seller, as such may be amended from time to time.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

"*Applicable Premium*" means the greater of:

(1) 1% of the principal amount of such Note; and

(2) as of any redemption date, the excess (to the extent positive) of:

  (a) the present value at such redemption date of (i) the redemption price of such Note at August 1, 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "—*Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest payments due on such Note to and including such date (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

  (b) the outstanding principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, Registrar, Transfer Agent or any Paying Agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer 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 be deemed not to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance or transfer of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of EUR 7.5 million and 3.7% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof (including, without limitation, Put-Backs) in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer 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;

(17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which has been or is to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided, further,* that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of EUR 10 million and 5.0% of Total Assets;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Capital Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition are applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant;

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and

(22) a disposition of Portfolio Assets (including dispositions of Right to Collect Accounts) or inventory or other assets, in each case, in the ordinary course of business, including into a trust in favor of third parties or otherwise.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the 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). References to "Board of Directors of the Issuer" shall, following the Structure Event, be construed to mean "Board of Directors" of the Issuer or "Board of Directors" of GFKL Holdco, as determined from time to time by the Issuer.

"*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 have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to August 1, 2018; *provided*, *however*, that if the period from the redemption date to August 1, 2018 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 August 1, 2018 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 Frankfurt, Germany, Luxembourg 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 Obligation*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government, a member state of the European Union or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof 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 EUR 250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Japan, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "*Asset Disposition*," the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, 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 Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a wholly-owned Subsidiary of a Successor Parent (subject to any directors' qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another wholly-owned Subsidiary that are held by a Person other than such Successor Parent); and

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"*Clearstream*" means Clearstream Banking, société anonyme, as currently in effect, or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Note Guarantee.

"*Compartments*" means, under the Luxembourg Securitization Law of 22 March 2004, as amended or any other similar law, one or more independent parts of such Person's estate distinguishable from the rest of the Person's estate by the nature of assets or liabilities relating to such independent part of such Person and each such independent part of such Person corresponding to a separate part of the assets and liabilities of the Person, created to allow for the management of asset portfolios separate from the remaining assets of such Person. The terms and conditions of the securities issued within a Compartment, as well as the specific objectives of the respective Compartment, are defined by the board of directors and set forth in the articles of association of such Person, the terms and conditions of such securities and other agreements, if any, entered by the Person in connection with such Compartment, and where (A) creditors of such Compartment are limited to the assets of that Compartment, (B) the assets and liabilities, investments and obligations of a Compartment are exclusively available to satisfy the claims of holders of securities issued within that Compartment, as well as of creditors, whose claims have arisen or will arise in connection with the creation, operation or liquidation of the respective Compartment, and (C) in the relationship of the holders between each other, each Compartment shall be treated as a separate entity.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus any amortization of Portfolio Assets during such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization (excluding amortization of a prepaid cash charge or expense that was paid in a prior period) or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(6) any minority interest expense (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, except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or non-recurring items less other non-cash items of income increasing Consolidated Net Income (other than non-cash items increasing Consolidated Net Income pursuant to clauses (1) to (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivable in connection with any Qualified Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; and

(12) any amount corresponding to any revaluation of Portfolio Assets, as determined in good faith by the Board of Directors or an Officer of the Issuer (to the extent not duplicated with any non-cash charges set forth in clause (8) hereof).

"*Consolidated Income Taxes*" means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries, whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Restricted Subsidiary, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period (but excluding such interest on Subordinated Shareholder Funding);

(7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person; and

(8) interest accrued on any Indebtedness of a Parent that is Guaranteed by the Issuer or any Restricted Subsidiary to the extent (x) serviced directly or indirectly by the Issuer or any Restricted Subsidiary and (y) not already included in calculating Consolidated Interest Expense;

minus (i) accretion or accrual of discounted liabilities other than Indebtedness and (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, in each case, to the extent included in interest expense under IFRS.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Issuer)).

"*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 four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided, however*,

that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*";

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period; *provided*, that the *pro forma* calculation may give effect to anticipated acquisitions which have not yet occurred but which have become subject to a definitive purchase agreement or contract, where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part and such Indebtedness, if Incurred prior to the completion of any such acquisition, is funded into escrow and released to the Issuer or any Restricted Subsidiary only in connection with the completion of such acquisition;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Issuer (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 Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer 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 Notes and the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to such Restricted Subsidiary (including pursuant to the Revolving Credit Facility Agreement or the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale and lease-back transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(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, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity-based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "—*Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Senior Secured Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for

bona fide hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer)).

"*Consolidated Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (x) the Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Leverage Ratio.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or any other commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), 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 Note Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers 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 the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the

second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption "*—Certain Covenants—Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contribution*" means the equity contribution from the Initial Investors as described in the Offering Memorandum under the caption "*Use of Proceeds*."

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*ERC*" means, for any date of calculation, the aggregate amount of estimated remaining gross collections projected to be received by the Issuer and its Restricted Subsidiaries from all Portfolio Assets owned by the Issuer and its Restricted Subsidiaries during the period of 84 months, as calculated by the Portfolio ERC Model, as at the last day of the month most recently ended prior to the date of calculation; *provided* that *pro forma* effect may be given to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition "Consolidated Leverage Ratio."

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euroclear*" means Euroclear Bank SA/NV, as currently in effect, or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized Rating Agency on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*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 Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer substantially concurrently with the contribution and not constituting a Parent Debt Contribution.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from such disposition, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) 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 Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness) and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS; and

(7) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"*German Company Conversion*" means the conversion of GFKL Financial Services Aktiengesellschaft into a limited liability company incorporated under the laws of Germany (*Gesellschaft mit beschränkter Haftung*, GmbH) being registered in the competent commercial register (*Handelsregister*).

"*GFKL Holdco*" means, as of the Issue Date, GFKL Financial Services Aktiengesellschaft, and following the Structure Event, GFKL Financial Services GmbH.

"*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.

"*Guarantors*" means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect from time to time; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

"*Incur*" means issue, create, assume, enter into any Note Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness* " means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such

obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however,* that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "*Indebtedness*" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any asset retirement obligations, or (v) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9)) 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. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer 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;

(3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes or under any Tax Sharing Agreement;

(4) any accrued expenses and trade payables; and

(5) the Squeeze Out Guarantee.

"*Indenture*" means the indenture entered into, among others, the Issuer, Holdco, BidCo and the Trustee on the Issue Date, as amended from time to time.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means Permira V Funds, any Affiliate of the Permira V Funds (other than any controlling limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling limited partner, in each case to the extent not itself a member of the Permira Group) and any funds or partnerships managed or advised (directly or indirectly) by Permira V G.P. Limited or an Affiliate thereof (other than any controlling shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling shareholder, in each case, to the extent not itself a member of the Permira Group) or an entity controlled by all or substantially all of the managing directors of such fund, and, solely in their capacity as such, any limited partner of any such partnership or fund; *provided* that any portfolio company of the foregoing, other than entities of which the Permira V Funds beneficially owns in the aggregate a majority (or more) of the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer shall not constitute an "Initial Investor."

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated June 29, 2015, by and among, *inter alios*, the Issuer, BidCo, the Security Agent and the Trustee, as amended from time to time.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any purchase of Underlying Portfolio Assets, any Right to Collect Accounts or debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer 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 under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings

Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the 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 July 23, 2015.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the 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 Issuer, its Subsidiaries or any Parent with (in the case of this subclause (b)) the approval of the Board of Directors;

(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 EUR 7.5 million in the aggregate outstanding at any time.

"*Management Investors*" means (i) members of the management team of the Issuer or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in the Issuer as at the Issue Date and any subsequent members of the management team of the Issuer or any Restricted Subsidiary who invest directly or indirectly in the Issuer from time to time and (ii) such entity as may hold shares transferred by departing members of the management team of the Issuer or any Restricted Subsidiary for future redistribution to such management team.

"*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.

"*Milla Securitization*" means the securitization program by which GFKL Holdco, Proceed Collection Services GmbH and INKASSO BECKER WUPPERTAL GmbH & Co. KG sold certain non-performing loans to Milla Securitization (No. 1) Limited, a special purpose company established in Jersey.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or 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) (a) other than for purposes of the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*", all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or (b) 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, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*Note Guarantee*" means the guarantee by each Guarantor of the Issuer's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Notes*" means the Notes issued on the Issue Date and any Additional Notes.

"*Notes Documents*" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any *Prokurist* (in accordance with the terms of its *Prokura*) or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person. References to "Officer of the Issuer" shall, following the Structure Event, be construed to mean "Officer" of the Issuer or "Officer" of GFKL Holdco, as determined by the Issuer from time to time.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of, or counsel to, the Issuer or its Subsidiaries.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Debt Contribution*" means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries or the issuance or sale of Subordinated Shareholder Funding of the Issuer pursuant to which dividends or distributions may be paid pursuant to clause (19) of the fourth paragraph under "*—Limitation on Restricted Payments*."

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or

any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Restricted Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed EUR 2 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided, however,* that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries;

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness; (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permira Group*" means Permira Holdings Limited or any of its Subsidiaries or any funds managed or controlled by Permira Holdings Limited or any of its Affiliates (other than any controlling limited partner of Permira Holdings Limited, if any, and any Subsidiary of such controlling limited partner).

"*Permira V Fund*" means each of the following:

(1) Permira LP1 and P5 Sub L.P.1, each a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(2) Permira V L.P.2, a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(3) Permira Investments Limited, acting by its nominee Permira Nominees Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(4) P5 Co-Investment L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(5) P5 CIS S.à r.l., a private limited liability company organized under the laws of Luxembourg, registered with the Luxembourg Trade and Companies Register with number B 178 072 with a share capital of EUR 12,500, having its registered office at 488, route de Longwy, L-1940 Luxembourg; and

(6) Permira V I.A.S L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands.

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) to secure:

(i) the Notes (other than any Additional Notes) and any related Note Guarantees;

(ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(iii) Indebtedness described under clause (1) of "*—Permitted Debt*," which Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Credit Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;

(iv) Indebtedness described under clause (2) of "*—Permitted Debt*," to the extent Incurred by the Issuer or a Guarantor and to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(v) Indebtedness described under clause (5) of "*—Permitted Debt*" and that is Incurred by the Issuer or a Guarantor; *provided* that, at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a *pro forma* basis, (a) the Issuer would have been able to Incur EUR 1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of the covenant entitled "*—Limitation on Indebtedness*" or (b) the Consolidated Senior Secured Leverage Ratio for the Issuer and the Restricted Subsidiaries would not be greater than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and to the Incurrence of such Indebtedness; *provided* that this clause (b) shall not apply to the extent that such Indebtedness is Incurred for the purpose of financing the Potential Acquisition;

(vi) Indebtedness described under clause (6) of "*—Permitted Debt*" and Hedging Obligations in connection with any Senior Notes; *provided* that to the extent permitted by the Intercreditor Agreement, Hedging Obligations Incurred in compliance with the covenant entitled "*—Limitation on Indebtedness*" that are not subordinated in right of payment to the Notes may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Credit Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;

(vii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of "*—Permitted Debt*", in the case of clauses (7) and (11), of the Issuer or a Restricted Subsidiary, and in the case of clause (13), of the Issuer or a Guarantor; *provided* that for Indebtedness Incurred pursuant to clause (13) thereof, at the time of the transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a *pro forma* basis, the Issuer would have been able to Incur EUR 1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of the covenant entitled "*—Limitation on Indebtedness*";

(viii) solely with respect to Collateral securing any Senior Notes or Guarantees in respect thereof, Indebtedness issued or borrowed by any issuer of Senior Notes and the Guarantees in respect

thereof; *provided* that such Liens rank junior to the Liens on the same Collateral securing the Notes and the Note Guarantees; and

(ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii);

provided, further, that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further* that subject to the Agreed Security Principles (but without regard to any Agreed Security Principles limiting the types of assets that may be pledged to secure the Notes and the Notes Guarantees under the Indenture), all property and assets (including, without limitation, the Collateral) of the Issuer or any Restricted Subsidiary securing such Indebtedness (including any guarantees thereof) or Refinancing Indebtedness secure the Notes and related Note Guarantees and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (iii) and (vi) above.

"*Permitted Holders*" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing or any Persons mentioned in the following sentence are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the voting Stock of the Issuer or any of its direct or indirect parent companies owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement, including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(10) Currency Agreements and Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of EUR 20 million and 9.9% 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;

(12) 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*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Revolving Credit Facility, in the Notes and any Additional Notes or in any other Indebtedness of the Issuer and its Restricted Subsidiaries;

(17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) Investments of cash held on behalf of merchants or other business counterparties in the ordinary course of business in bank deposits, time deposit accounts, certificates of deposit, bankers' acceptances, money market deposits, money market deposit accounts, bills of exchange, commercial paper, governmental obligations, investment funds, money market funds or other securities;

(19) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in each case, in the ordinary course of business and in accordance with the Indenture;

(20) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation, performance and other similar deposits, in each case, in the ordinary course of business; and

(21) any Investment in connection with the Squeeze Out.

"*Permitted Liens*" means, with respect to any Person:

(1) after the date on which all of the Collateral and Note Guarantees specified in the covenant under the heading "*Certain Covenants—Post-Closing Undertakings*" are granted, Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for 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, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the 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;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions or customary standard terms 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;

(12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens created or arising in connection with a Qualified Receivables Financing;

(22) (a) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) Liens 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 pre-fund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts and receivables securing cash pooling or cash management arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(27) 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;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Indenture, (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 Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled "*—Limitation on Indebtedness*" to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Notes;

(29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed EUR 30 million;

(30) Liens on receivables securing Indebtedness described under clause (12) of "*—Permitted Debt*";

(31) Liens securing Indebtedness described under clause (14) of "*—Permitted Debt*";

(32) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities (*Altersteilzeitverpflichtungen*) incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code ("*SGB IV*");

(33) Liens incurred in connection with the Squeeze Out Guarantee; and

(34) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (33); *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a "*Reorganization*") that is made on a solvent basis (including, for the avoidance of doubt, the merger of the Target into BidCo); *provided* that: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral and (d) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Reorganization (except in connection with the Target Merger).

"*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.

"*Portfolio Assets*" means all (a) Underlying Portfolio Assets (in each case, that is purchased by, acquired by or otherwise transferred from a third-party to, the Issuer or any of its Restricted Subsidiaries pursuant to a purchase agreement or any other sale agreement) in which the Issuer and its Restricted Subsidiaries or any Receivables Subsidiary has either a direct beneficial ownership interest or a direct beneficial ownership interest and legal ownership (whether such direct ownership is in whole or in part; *provided* that partially owned Portfolio Assets will be recognized to the extent owned) and (b) Right to Collect Accounts.

"*Portfolio ERC Model*" means the models and methodologies that the Issuer uses to calculate the value of its ERC and those of its Subsidiaries, consistently with the calculations used in this Offering Memorandum or, if the Issuer includes ERC in its financial statements, with the most recent published financial statements of the Issuer, Holdco or GFKL Holdco, as applicable, as of such date of determination.

"*Potential Acquisition*" means the potential acquisition referred to under "*Summary—Recent Developments*."

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of EUR 100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the 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.

"*Put-Backs*" means Underlying Portfolio Assets that differ from the characteristics specified in the purchase contract thereof and that we consequently sell back at the purchase price or, depending on the contractual arrangement, at a subsequently negotiated price.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer 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 Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as

determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertaking; *provided* that, for the avoidance of doubt, the term Qualified Receivables Financing shall include the Milla Securitization.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit.

"*Receivables Assets*" means any Receivables of the Issuer or any of its Subsidiaries or any Compartment of a Subsidiary of the Issuer, and any assets related thereto, including all collateral securing such Receivable, all contracts and all guarantees or other obligations in respect of such Receivable, proceeds collected on such Receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions and any related Hedging Obligations, in each case, whether now existing or arising in the future.

"*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 Qualified Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries or a Compartment of a Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries (i) may sell, convey or otherwise transfer (which, for the avoidance of doubt, shall include any synthetic transfer) any Receivables Assets to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Subsidiary) or (ii) may grant a security interest in any Receivables Assets.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary or a Compartment of a Subsidiary of the Issuer or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or any of its Subsidiaries or any Compartment of a Subsidiary of the Issuer, in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets, which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as 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 Issuer or any other Restricted Subsidiary (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 Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation 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 Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the 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, if shorter, the maturity date of the 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 Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, further, however, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or controlling partner or controlling member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) 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,

provided, *however*, that a Related Person with respect to any Permitted Holder shall not include (x) a controlling partner, member, interest holder, equity holder or limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling partner, member, interest holder, equity holder or limited partner, in each case to the extent not itself a member of the Permira Group and (y) any controlling partner, member, interest holder, equity holder or shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling partner, member, interest holder, equity holder or shareholder, in each case to the extent not itself a member of the Permira Group.

"*Related Taxes*" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such taxes are in fact paid) by any Parent by virtue of its:

   (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Restricted Subsidiary);

   (b) issuing or holding Subordinated Shareholder Funding;

   (c) being a holding company parent, directly or indirectly, of the Issuer or any Restricted Subsidiary;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Restricted Subsidiary; or

   (e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries.

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are related thereto.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Reserved Cash*" means the consolidated total cash of the Issuer and its Restricted Subsidiaries that is shown on the balance sheet as earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the revolving credit facility made available pursuant to the Revolving Credit Facility Agreement.

"*Revolving Credit Facility Agreement*" means the super senior revolving facility agreement dated June 29, 2015, among BidCo, as borrower, the Issuer, as a guarantor, and certain financial institutions, as described in "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*."

"*Right to Collect Account*" means an Underlying Portfolio Asset that is owned by a Person that is not the Issuer or one of its Restricted Subsidiaries (a "*Third Party*") and in respect of which (a) such Third Party is unable or unwilling to dispose of the relevant Underlying Portfolio Asset to the Issuer or a Restricted Subsidiary; and (b) the Issuer or a Restricted Subsidiary is entitled to collect and retain substantially all of the amounts due under such Underlying Portfolio Asset or to receive amounts equivalent thereto.

"*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 Coverage Test*" means the test that is satisfied if both of the following statements are true as of the date of determination (based on the most recent published annual financial statements of the Issuer (or for the year ended December 31, 2014, GFKL Holdco)):

(1) the aggregate of the earnings before interest, tax depreciation and amortization ("EBITDA") of the Guarantors (calculated on an unconsolidated basis but otherwise on the same basis as Consolidated EBITDA) equals or exceeds 80% of Consolidated EBITDA (for this purpose disregarding from Consolidated EBITDA and the aggregate EBITDA of the Guarantors, the EBITDA of any member of the Group that generates negative EBITDA); and

(2) the aggregate of the gross assets of the members of the Group which are Guarantors (calculated on an unconsolidated basis and excluding all intra-Group items) equals or exceeds 80% of the gross assets of the Group.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"*Senior Notes*" means any Indebtedness of the direct parent of the Issuer designated as "Permitted Senior Financing Debt" (including any additional senior notes) under the Intercreditor Agreement or any Additional Intercreditor Agreement.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is secured by a first-priority Lien on the Collateral and that is Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4)(a), (4)(b), (5), (7), (11), (13) or (14) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect thereof.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets (excluding Reserved Cash) of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets (excluding Reserved Cash) of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer 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 Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Special Purpose Vehicle*" means an entity established by any Parent for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

"*Squeeze Out*" refers to the acquisition of the ordinary shares of GFKL Financial Services AG from the minority shareholders.

"*Squeeze Out Guarantee*" means a guarantee issued in compliance with, and in the form required by, section 327b(3) of the German Stock Corporation Act (*AktG*).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary*

Stock," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Structure Event*" means the completion of any Squeeze Out followed by the completion of the German Company Conversion.

"*Subordinated Indebtedness*" means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Note Guarantee pursuant to a written agreement, including the Guarantees of any Senior Notes.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to six months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Holdco Liabilities" (as defined therein).

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Subsidiary Guarantor* " means any Guarantor that is a Subsidiary of the Issuer.

"*Successor Parent*" with respect to any Person means any other Person 100% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) 100% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person

other than the Issuer or another wholly-owned Subsidiary) of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*Target*" means Carl Holding GmbH.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in: (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Japan, Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Credit Facility; (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (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 EUR 250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries) with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Japan, Switzerland or Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of EUR 250 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the

equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds (a) 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, or (b) rated "AAA" by S&P or "Aaa" 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).

"*Total Assets*" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the balance sheet of such Person prepared on the basis of IFRS, and may give *pro forma* effect to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition of "Consolidated Leverage Ratio"; *provided* that such Total Assets shall not include any amount of Reserved Cash.

"*Transactions*" has the meaning assigned to such term in the Offering Memorandum under the heading "*The Transactions*."

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Underlying Portfolio Asset*" means performing, sub-performing, non-performing or charged-off accounts, loans, receivables, mortgages, debentures, notes, claims and other similar assets or instruments (in each case, however pooled, aggregated, fractionally owned or contractually divided).

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer (other than BidCo) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein, other than BidCo) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary comply with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least EUR 1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Rule 144A Global Note**"). The Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the Rule 144A Global Note, the "**Global Notes**"). The Global Notes will be deposited, on the Issue 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 Rule 144A Global Note (the "**Rule 144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Note (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their name, will not have received physical delivery of the Notes in certificated form and will not be considered the registered owners or "Holders" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither we nor the Trustee nor any of its agents will have any responsibility, or be liable, for any aspect of the records, or for payments made, relating to the Book-Entry Interests.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) 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. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to their participants.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Issuer issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the 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 as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The 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 the Trustee and the Issuer to protect the Issuer, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for expenses 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 Issuer pursuant to the provisions of the Indenture, the 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.

To the extent permitted by law, each of the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Redemption of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them 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 and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of its Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions) 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 may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent. The Paying Agent will, in turn make said payments to or to the order of the common depositary or its nominee for Euroclear and Clearstream. Euroclear and/or Clearstream will distribute such payments to participants in accordance with their respective customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts.*" If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*" above, the Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to 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 Issuer 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 Indenture, each of the Issuer, the Trustee, the Security Agent, the Registrar, the Transfer Agent and the Paying Agent will treat the registered holders of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Security Agent, the Registrar, the Transfer Agent and the Paying 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 or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Currency of 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 to such Notes through Euroclear and/or Clearstream in euro.

Transfers

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Through and including the 40th day after the later of the commencement of the Offering and the closing of the Offering (the "40-day Period"), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a Qualified Purchaser as defined under the Investment Company Act who is also a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

After the expiration of the 40-day Period, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest without compliance with these certification requirements.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfers*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

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 any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such 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.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, 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 Rule 144A Global Note only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the LuxSE and admitted for trading on the LuxSE's Euro MTF Market. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under "*Listing and General Information—Clearing Information*." Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Security Agent, the Registrar, the Transfer Agent or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAXATION

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE, LOCAL OR CHURCH TAXES, UNDER THE TAX LAWS OF GERMANY AND ANY COUNTRY OF WHICH THEY ARE RESIDENT OR WHOSE TAX LAWS APPLY TO THEM FOR OTHER REASONS.

Withholding Tax

For German tax residents (*i.e.* persons whose residence, habitual abode, statutory seat or place of effective management and control is located in Germany), interest payments will be subject to German withholding tax if the Notes are held in custody with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**," *auszahlende Stelle*). The withholding tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). For individual holders of Notes subject to church tax, an electronic information system for church withholding tax purposes applies, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will be assessed for church tax.

The same treatment applies to capital gains (*i.e.*, the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal and the cost of acquisition) and interest accrued on the Notes ("**Accrued Interest**," *Stückzinsen*) derived by an individual holder who is a German tax resident irrespective of any holding period provided that the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest coupons or interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to withholding tax. The same also applies to proceeds from the redemption of interest coupons or collection of interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon their disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (plus Accrued Interest, if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, the European Economic Area or certain other countries in accordance with Article 17 (2) of the Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payments (the "**EU Savings Directive**") (*e.g.*, Switzerland or Andorra). If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may, and in case the actual gain is higher than 30% of the disposal proceeds must, also apply for an assessment on the basis of its actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent generally deducts from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (*e.g.*, losses from the sale of other securities with the exception of shares). The Disbursing Agent also deducts Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the

Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax authorities.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax authorities) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as outlined below under "—*Taxation of Current Income and Capital Gains—Non-Tax Residents*") and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "—*Tax Residents*" refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes held by an individual holder who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*SparerPauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as described under "—*Withholding Tax*" above). To the extent that withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than the actual gain), the individual holder must include its interest income and capital gains derived from the Notes in its annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). Further, an individual holder may apply for a taxation of all investment income of a given year at its lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated October 9, 2012 a bad debt-loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent that the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal. Accordingly, losses suffered upon such bad debt-loss or waiver are not tax-deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should apply according to that tax decree, if the Notes expire worthless so that losses may not be tax- deductible at all. Losses suffered from a sale of Notes will only be recognized according to the view of the tax authorities if the proceeds received in the sale exceed the respective transaction costs.

Where Notes form part of a trade or business or the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax). Where Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective holder must include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax (*Gewerbesteuer*). The trade tax liability depends on the municipal trade tax factor

(*Gewerbesteuerhebesatz*) applicable to the investor. If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non-Tax Residents

This subsection "—*Non-Tax Residents*" refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management and control is not located in Germany).

Interest and capital gains (which include Accrued Interest) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax-resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

EU Savings Tax Directive

Under the EU Savings Directive, each EU Member State is required to provide to the tax authorities of another EU Member State details of payments of interest or other similar income (in the meaning of the EU Savings Directive) paid by a paying agent (in the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a "residual entity" (as defined in Article 4.2 of the EU Savings Directive) established in that other EU Member State.

For a transitional period, however, Austria may instead (unless during that period it elects otherwise) operate a withholding tax system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Directive into German law. These provisions apply from 1 July 2005.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as

amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

The proposed Financial Transactions Tax (FTT)

The European Commission has published a proposal for a Directive for a common financial transactions tax ("**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain ("**Participating Member States**").

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) under certain circumstances.

Pursuant to the current proposal, the FTT could apply under 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. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a Participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Certain Luxembourg Tax Considerations

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to certain Luxembourg tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), a temporary tax to balance the state budget (*impôt d'équilibrage budgétaire temporaire*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, the solidarity surcharge as well as the temporary tax to balance the state budget. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding tax

Non-Resident Note holders

Under Luxembourg general tax laws currently in force, interest payments (including accrued but unpaid interest) and principal made to non-residents of Luxembourg in the context of the holding, disposal, redemption or repurchase of the Notes which are not profit-sharing will not be subject to any Luxembourg withholding tax.

Resident Note holders

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing the EU Savings Directive and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the

"**Territories**")) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10%. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of tax in application of the Relibi Law is assumed by the Luxembourg paying agent.

Income Taxation

Non-resident holders of Notes

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realized by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal, in any form whatsoever, of the Notes.

Resident holders of Notes

Holders of Notes who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

(i) Luxembourg resident corporate holder of Notes

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is (i) an undertaking for collective investment (UCITS) within the meaning of the law of December 17, 2010 as amended, (ii) a special investment fund (SIF) within the meaning of the law of February 13, 2007, as amended or (iii) a private wealth management company (SPF) within the meaning of the law dated May 11, 2007, as amended, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

(ii) Luxembourg resident individual holder of Notes

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 10% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the EU Savings Directive. A gain realized by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual holder of Notes acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

Other Taxes and Duties

Under current Luxembourg tax law and current administrative practice, it is not necessary that the Notes be notarized, filed, recorded or enrolled with any court or other authority in Luxembourg, or that any stamp, transfer, capital, registration or similar tax be paid on or in relation to the execution and delivery of the Notes in accordance therewith or the performance of the Issuer's obligations under the Notes, except that in case of

court proceedings in a Luxembourg court (including but not limited to a Luxembourg insolvency proceeding), registration of the Notes or of the financial documents may be ordered by the court, in which case the Notes or of the financial documents will be respectively subject to a fixed duty of EUR 12 or an ad valorem duty. Registration would in principle further be ordered, and the same registration duties could be due, when the Notes are produced, either directly or by way of reference, before an official authority ("*autorité constituée*") in Luxembourg or, in the case that the Notes are referred to in a public deed. The same registration duties could be due in the case of a registration of the Notes on a voluntary basis.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

VAT

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of a redemption amount or principal under the Notes or the transfer of a Note; provided that Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the issuer, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from value added tax does not apply with respect to such services.

Net Wealth tax

Luxembourg net wealth tax will not be levied on holders of the Notes unless:

(i) Such holder of the Notes is a corporate which is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions and to the exception of the following entities that are net wealth tax exempt, being (i) undertakings for collective investment (UCITS) within the meaning of the law of December 17, 2010 as amended, (ii) investment company in risk capital (SICAR) within the meaning of the law dated June 15, 2004, as amended, (iii) securitization entities within the meaning of the law dated March 22, 2004 as amended, (iv) special investment funds (SIF) within the meaning of the law of February 13, 2007, as amended and (vi) private wealth management companies (SPF) within the meaning of the law dated May 11, 2007 as amended; or

(ii) The Notes are attributable to an enterprise or part thereof which is carried on by a corporate holder of the Notes through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

An individual holder of Notes, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

EU Savings Directive

Under the EU Savings Directive, each EU Member State is required to provide to the tax authorities of another EU Member State details of payments of interest or other similar income (in the meaning of the EU Savings Directive) paid by a paying agent (in the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a "residual entity" (as defined in Article 4.2 of the EU Savings Directive) established in that other EU Member State.

For a transitional period, however, Austria may instead (unless during that period it elects otherwise) operate a withholding tax system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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

However, the European Commission has proposed the repeal of the EU Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the Code, Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for discussions on FATCA (as defined under "*—Foreign Account Tax Compliance Act*"). This discussion does not address the impact of the unearned income Medicare contribution tax or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non U.S. tax laws. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders (as defined below) whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities (or investors in such entities), persons liable for alternative minimum tax and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (the first price at which a substantial amount of the applicable series of Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.

Payments of Stated Interest

Payments of stated interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income or, in certain cases, general category income.

A U.S. holder of Notes that uses the cash method of accounting for tax purposes will recognize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate on the date of receipt,

regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. holder will not realize foreign currency exchange gain or loss on the receipt of stated interest income but may recognize exchange gain or loss attributable to the actual disposal of the foreign currency received.

A U.S. holder of Notes that uses the accrual method of accounting for tax purposes, or who otherwise is required to accrue interest prior to receipt, may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the first method, such holder will recognize income for each taxable year equal to the U.S. dollar value of the foreign currency accrued for such year determined by translating such amount into U.S. dollars at the average spot rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year). Alternatively, an accrual basis U.S. holder may make an election (which must be applied consistently to all debt instruments held by the electing U.S. holder, and from year to year, and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder of Notes that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, on the date such interest is received, equal to the difference between the U.S. dollar value of such payment, determined at the spot rate on the date the payment is received, and the U.S. dollar value of the interest income previously included in respect of such payment. This exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S.-source and generally will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their independent tax advisors regarding the availability of foreign tax credits.

Sale, Exchange, Retirement or other Taxable Disposition of Notes

A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the holder. The cost of a Note purchased with foreign currency will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the exchange rate in effect on that date. If the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Note at the spot rate on the settlement date of the purchase.

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid stated interest, which will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note. The amount realized on the sale, exchange, retirement or other taxable disposition of a Note for an amount of foreign currency will generally be the U.S. dollar value of that amount based on the spot rate on the date payment is received or the Note is disposed of. If the Note is traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized on the settlement date of the disposition. If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange or other taxable disposition of a Note that is attributable to changes in currency exchange rates relating to the principal thereof will be ordinary income or loss and will generally be equal to the difference between the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date of the sale, exchange, retirement or other taxable disposition, and the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date the U.S. holder acquired the Note. The exchange gain or loss with respect to principal and with respect to accrued and unpaid stated interest (which will be treated as discussed above under "—*Payments of Stated Interest*") will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange, retirement or other taxable disposition of the Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of an individual U.S. holder,

any such gain may be eligible for preferential U.S. federal income tax rates if that U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, redemption, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, redemption, retirement or other taxable disposition of a Note.

Additional Notes

The Issuer may issue Additional Notes as described under "*Description of the Notes*." These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have original issue discount which may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

Tax Return Disclosure Requirement

Treasury Regulations issued under the Code meant to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that any such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of an applicable threshold amount. U.S. holders should consult their 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).

Information Reporting and Backup Withholding

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain U.S. holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made after December 31, 2016 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all notes in such series, including the Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include "plan assets" of such employee benefit plans, plans, accounts or arrangements (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor) (each, an "**ERISA Plan**"). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to non-U.S., federal, state, or local laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code ("**Similar Laws**") or which otherwise affect their ability to invest in the Notes. Any fiduciary of such a governmental, church or non-U.S. plan considering an investment in the Notes (together with ERISA Plans, "**Plans**") should determine the need for, and, if necessary, the availability of, any exemptive relief under such laws or regulations.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes, a Plan fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. Such transactions are referred to as "prohibited transactions" and include, without limitation, (1) a direct or indirect extension of credit to a party in interest or to a disqualified person, (2) the sale or exchange of any property between an ERISA Plan and a party in interest or a disqualified person, or (3) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any plan assets.

A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which we, the Initial Purchasers, the Trustee, the agents and our and their respective affiliates are considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

Similar Laws governing the investment and management of the assets of governmental plans, certain church plans and non-U.S. plans which are not subject to ERISA and the Code may contain fiduciary responsibility and prohibited transaction requirements similar to those under Title I of ERISA and Section 4975 of the Code. Accordingly, fiduciaries of such Plans, in consultation with their counsel, should consider the impact of Similar Laws on investments in the Notes and the considerations discussed above, to the extent applicable.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such acquisition, holding and subsequent disposition will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws. Accordingly, by acceptance of a Note, each purchaser and subsequent transferee will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or an interest therein constitutes assets of any Plan or (ii) the acquisition, holding and disposition by such purchaser or transferee of the Notes or an interest therein will not constitute or result

in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The foregoing discussion is necessarily general in nature, is not intended to be all-inclusive, and should not be construed as legal advice or a legal opinion. Further, no assurance can be given that future legislation, administrative rulings, court decisions or regulatory action will not modify the conclusions set forth in this discussion. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Notes. Each of the sales will be made pursuant to a purchase agreement among the Issuer, BidCo and the Initial Purchasers to be dated the date of the final offering memorandum (the "**Purchase Agreement**").

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial offering of the Notes, the Initial Purchasers may change the prices at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the offering may be terminated.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuer, BidCo, and Target or any of its subsidiaries that are substantially similar to the Notes during the period from the date of the Purchase Agreement until the date falling 60 days after the date of the final offering memorandum without the prior written consent of the Initial Purchasers.

The Notes and the Note 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, each of which purchasers or accounts is a Qualified Purchaser within the meaning of Section 3(c)(7) of the Investment Company Act and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Important Information*" and "*Transfer Restrictions*."

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 Issuer 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, Luxembourg, Germany and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See *"Notice to Prospective U.S. Investors"* and *"Notice to Certain European Investors."*

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer,

sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuer has applied, through its listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF market. However, the Issuer cannot assure you that the listing will be obtained or, if obtained, maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit 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 over-allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business, for which they have received or may receive customary fees and commissions. In particular, Goldman Sachs Lending Partners LLC, an affiliate of Goldman Sachs International, is the original lender under the senior loan agreements with Milla Securitisation (No. 1) Limited. Furthermore, Goldman Sachs International acted as exclusive M&A adviser to Advent International Corporation on the sale of the Target to BidCo and prepared staple financing in connection with the Acquisition. Additionally, Citigroup Global Markets Limited acted as M&A adviser to Permira Funds on the purchase of the Target and Citibank, N.A., London Branch, an affiliate of Citigroup Global Markets Limited, is acting as Trustee, Security Agent, Transfer Agent, Registrar and Paying Agent for the Notes. In addition, ING Bank N.V. is acting as facility agent and the Initial Purchasers or their respective affiliates are lenders and arrangers under our Revolving Credit Facility. The Initial Purchasers or their respective affiliates entered into the Senior Secured Bridge Facility Agreement as mandated lead arrangers, original lenders and bookrunners on June 26, 2015 in connection with the financing of the Acquisition. The proceeds of this Offering will be used to repay the Initial Purchasers or their respective affiliates in their role as lenders under the Senior Secured Bridge Facility

Agreement. They may also receive allocations of the Notes. Furthermore, such entities may act as counterparties in the hedging arrangements we expect to enter into in connection with the Transactions and will receive customary fees for their services in such capacities.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us, they may routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes and the Note Guarantees offered hereby.

The Notes and the Note Guarantees are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the Initial Purchasers:

(1) You understand and acknowledge that:

(a) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws;

(b) the Issuer has not been registered under the Investment Company Act and the Issuer is exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act. Section 3(c)(7) excepts from the provisions of the Investment Company Act those issuers who privately place their securities solely to persons who at the time of purchase are "qualified purchasers." In general terms, "qualified purchaser" is defined to mean. among other things, any natural person who owns not less than U.S. $5,000,000 in investments; any person who in the aggregate owns and invests on a discretionary basis, not less than U.S. $25,000,000 in investments; and trusts as to which both the settlor and the decision-making trustee are qualified purchasers (but only if such trust was not formed for the specific purpose of making such investment); and

(c) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.

(2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act or any other applicable securities laws and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) You represent that you are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:

(a) you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and qualified purchaser (as defined in Section 2(a)(51)(A) of the Investment Company Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer and qualified purchaser, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or

(b) you are not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that none of the Issuer, the Guarantors, the Initial Purchasers or any person representing the Issuer, the Guarantors or the Initial Purchasers has made any representation to you with respect to the Issuer, the Guarantors or the Offering, other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Group and the Initial Purchasers.

(5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will

agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to the Issuer, the Guarantors or any subsidiaries thereof;

(b) under a registration statement that has been declared effective under the U.S. Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer and qualified purchaser that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act; and

(e) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such Note or an interest in such Global Note, and so may continue indefinitely.

(6) You also acknowledge that:

(a) the above restrictions on resale will apply from the Issue Date until the date that is one year (in the case of Rule 144A Notes) after the later of the Issue Date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the Issue Date and when the Notes or any predecessor of the Notes are first offered to persons other than Distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

(b) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;

(c) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (5)(d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer, the Registrar and the Trustee; and

(d) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND THE INVESTMENT COMPANY ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS [IN THE CASE OF RULE 144A NOTES:] ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), [IN THE CASE OF REGULATION S NOTES:] 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF

SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT 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 UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON- U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND, IN EACH OF THE FOREGOING CASES, IF SUCH TRANSFER IS TO A U.S. PERSON OR IN THE UNITED STATES, TO A PURCHASER THAT (I) IS A QUALIFIED PURCHASER FOR THE PURPOSE OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (II) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (III) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (IV) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S. $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (V) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION, SUBJECT IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (X) PURSUANT TO CLAUSES (C), (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (Y) 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, (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND AND (3) [IN THE CASE OF RULE 144A NOTES:] REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) AND A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT) OR [IN THE CASE OF REGULATION S NOTES:] THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH EMPLOYEE BENEFIT PLANS, PLANS, ACCOUNTS OR ARRANGEMENTS OR A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN, SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON U.S. LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "SIMILAR LAWS") OR (2) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(8) You represent and warrant that either (i) no portion of the assets used by you to acquire and hold such Notes or interest therein constitutes assets of any "employee benefit plan" subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, ("**ERISA**"), any plan, individual retirement account or other arrangement subject to Section 4975 of the United States Internal Revenues Code of 1986, as amended (the "**Code**"), an entity whose underlying assets are considered to include "plan assets" of such employee benefit plans, plans, accounts or arrangements or a governmental plan, church plan or non-U.S. plan, subject to provisions under any federal, state, local, non-U.S. laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**") or (ii) the acquisition, holding and dispositions of this security or interest therein will not constitute or result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

(9) You acknowledge until 40 days following the commencement of this Offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

(10) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

(11) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(12) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or any of 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 forth under "*Plan of Distribution.*"

(13) The Issuer is a "covered fund" as defined in the Volcker Rule. The definition of "covered fund" in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act, but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuer relies on Section 3(c)(7) of the Investment Company Act for its exemption from registration thereunder (which limits sales of the Notes to "qualified purchasers" as such term is defined in the Investment Company Act), it is considered to be a covered fund, hence banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining an "ownership interest" in the Issuer as a covered fund, absent any applicable exclusion or exemption. Under the Volcker Rule, "ownership interest" is defined broadly to include any participation or other interest that entitles the holder of such interest to, amongst other things: (a) vote to remove management or otherwise (other than as a creditor exercising remedies upon an event of default), (b) share in the income, gains, profits or excess spread of the covered fund or (c) receive underlying assets of the covered fund.

LEGAL MATTERS

Certain legal matters relating to the validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for us by Latham & Watkins (London) LLP, with respect to matters of U.S. federal and New York state law, by Latham & Watkins LLP, with respect to matters of German law and by Clifford Chance SCS, with respect to matters of Luxembourg law. Certain legal matters relating to the Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP, with respect to matters of U.S. federal and New York state law, by Allen & Overy LLP, with respect to matters of German and by Allen & Overy SCS with respect to matters of Luxembourg law.

INDEPENDENT AUDITORS

Our German-language audited consolidated financial statements as of and for the years ended December 31, 2012, 2013 and 2014 have been audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**E&Y**"), independent auditors, as stated in their auditor's reports appearing herein. English language translations of the abovementioned German language consolidated financial statements (labeled as the "Audited Consolidated Financial Statements") and the respective auditor's reports are included elsewhere in this Offering Memorandum.

Each of the respective auditor's reports of E&Y on the Audited Consolidated Financial Statements refers to the respective Audited Consolidated Financial Statements and the respective group management report as a whole. The group management reports are not reprinted in this Offering Memorandum.

The examination of and the auditor's report upon such group management report are required under German commercial law and performed in accordance with German auditing standards. This examination was not made in accordance with generally accepted auditing or attestation standards in the United States of America. Accordingly, E&Y does not express any opinion on this information or on the consolidated financial statements included in this Offering Memorandum, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to 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 clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Note Guarantees 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 either us or the Initial Purchasers.

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), 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 with respect to the Notes should be directed to Garfunkelux Holdco 3 S.A., 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg.

We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture, we will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports*." Copies of the Indenture (which includes the form of the Notes) and the Intercreditor Agreement may also be obtained by request to the Issuer.

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 and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the listing agent in Luxembourg.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is, and the Guarantors will be limited liability companies or, in the case of GFKL Holdco (but only until the German Company Conversion), a stock corporation established under the laws of the Federal Republic of Germany and Luxembourg, as the case may be.

The majority of the Issuer's and the Guarantors' managing directors, Executive Board members, supervisory board members, directors, officers and other executives are expected to be neither residents nor citizens of the United States. Furthermore, the majority of the Issuer's and the Guarantors' assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the Guarantors or to enforce against them, the Issuer or the Guarantors judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and the Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Germany upon those persons or the Issuer or over the Issuer's subsidiaries provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and the Federal Republic of Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable, either in whole or in part, in Germany. A conclusive judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles of jurisdictional competence according to German law;
- the document commencing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense, or in case of non-compliance with such requirement, (i) the defendant does not invoke such non-compliance or (ii) has nevertheless appeared in the proceedings;
- the judgment is not contrary to (i) any judgment which became *res judicata* rendered by a German court or (ii) any judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the applicable judgment does not contradict any such judgment under (i) and (ii) or a proceeding previously commenced in Germany;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of the Federal Republic of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are considered to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an *exequatur* decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of aspects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Issuer or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

Luxembourg

The Issuer is incorporated under the laws of Luxembourg and all of the directors and executive officers of the Issuer are non-residents of the United States. Furthermore, a substantial portion of the assets of the Issuer is located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable (*executoire*) in the United States;
- the U.S. court awarding the judgment has jurisdiction to adjudicate the applicable matter under applicable U.S. Federal or state jurisdictions rules, and the jurisdiction of the U.S. court is recognized by Luxembourg private international and local law;
- the U.S. court has applied the substantive law as designated by Luxembourg conflict of laws rules (according to certain Luxembourg case law, it is admitted that Luxembourg courts which are asked to grant an exequatur do not have to verify whether the substantive law actually applied by the U.S. court awarding the judgment was the law which would have been thus designated ;
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Please note that Luxembourg case law is constantly evolving. Some of the above conditions of admissibility may change: additional conditions could be required to be fulfilled by Luxembourg courts while other conditions may not be verified by Luxembourg courts in the future.

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although such a review is not statutorily prohibited.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not bona fide and (ii) if its application contravenes Luxembourg public policy or is manifestly incompatible with Luxembourg international policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an exequatur may be refused in respect of punitive damages.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than Euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than Euro. However, enforcement of the judgment against any party in Luxembourg would be available only in Euro and for such purposes all claims or debts would be converted into Euro.

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The validity and enforceability of the Collateral will be subject to certain limitations on enforcement and may be limited under applicable law or subject to certain defenses that may limit its validity and enforceability. The following is a brief description of limitations on the validity and enforceability of the Note Guarantees and the Collateral and of certain insolvency law considerations in the jurisdictions in which Note Guarantees or Collateral are being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Note Guarantees or other security interests. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Note Guarantees and the security interest in the Collateral. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. Please see "Risk Factors—Risks Related to Our Structure and the Financing," "Risk Factors—Risks Related to the Notes" and "Risk Factors—Risks Related to Our Financial Profile." If additional collateral is required to be granted in the future pursuant to the Indenture, such collateral will also be subject to limitations and enforceability and validity, which may differ from those discussed below.

European Union

The Issuer and the Guarantors are organized under the laws of member states of the European Union.

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings, as amended from time to time (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 (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. Furthermore, "center of main interests" is not a static concept and may change from time to time. Although under Article 3(1) of the EU Insolvency Regulation there is a rebuttable presumption that a company would have its "center of main interests" in the member state in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." The European Court of Justice has ruled in a recent judgment that a debtor company's center of main interests must be determined by attaching greater importance to the place of the company's central administration, as may be established by objective factors which are ascertainable by third parties. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties, in that place, the presumption, that the center of the company's main interests is located in that place, is irrebuttable. Where a company's central administration is, however, not in the same place as its registered office, the presence of company assets and existence of contracts for the financial exploitation of those assets in a member state other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the above-mentioned presumption, unless a comprehensive assessment of all relevant factors makes it possible to establish, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other member state. The factors to be taken into account include, in particular, all places in which the debtor company pursues economic activities and all those in which it holds assets, in so far as they are ascertainable by third parties.

If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation, with these proceedings governed by the *lex fori concursus, i.e.* the local laws of the court opening such main insolvency proceeding. Insolvency proceedings opened in one member state under the EU Insolvency Regulation are to be recognized in the other member states (other than Denmark), although secondary proceedings may be opened in another member state. If the "center of main interests" of a debtor is in one member state (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another member state (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other member state. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other member state. If the company does not have an establishment in any other member state, no court of any other member state has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

The EU Insolvency Regulation has been replaced by the Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (the "**New EU Insolvency Regulation**") which became effective as of June 26, 2015, and which will be applicable to insolvency proceedings opened after June 26, 2017. The EU Insolvency Regulation remains applicable to insolvency proceedings opened before that date.

The New EU Insolvency Regulation includes, among others, specifications regarding the identification of the center of main interests. Pursuant to Article 3(1) of the New EU Insolvency Regulation, in the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in another member state than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other member state. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (e.g. by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the New EU Insolvency Regulation focuses on the definition of "establishment" as a prerequisite to open "territorial proceedings" (secondary proceedings). From June 26, 2017 onwards, "establishment" will mean any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.

Germany

Insolvency

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings (*Antrag auf Eröffnung des Insolvenzverfahrens*). Insolvency proceedings must be initiated by the debtor and can be initiated by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event of illiquidity (*Zahlungsunfähigkeit*).

A debtor is over-indebted when its liabilities exceed the value of its assets unless, based on the prevailing circumstances, a continuation of the business is predominantly likely (*überwiegend wahrscheinlich*).

A company is considered to be illiquid if it is unable to pay its debt when they fall due. In addition, only the debtor can file for the opening of insolvency proceedings in case of impending illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk for the company of being unable to pay its debt as and when they fall due, whereas impending illiquidity does not give rise to an obligation for the management of the debtor to file for insolvency proceedings.

If a GmbH (*Gesellschaft mit beschränkter Haftung*), a stock corporation (*Aktiengesellschaft*) or any other company not having an individual as a personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the managing director(s) or under certain circumstances the shareholders of such company must file a petition for the opening of insolvency proceedings without undue delay but in any event no later than three weeks after such company has become illiquid and/or over-indebted. The management of a debtor can be exposed to criminal sanctions as well as damage claims in the event that filings for insolvency are delayed or not made at all.

If a company faces imminent illiquidity and/or is over-indebted it may also file for a preliminary protection scheme (*Schutzschirmverfahren*) unless—from a third-party perspective—there is no reasonable chance of a successful restructuring. In such case and upon request of the debtor, the court will appoint a preliminary custodian (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor must prepare an insolvency plan which will ideally be implemented in formal "debtor-in- possession" proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are court-controlled, and, upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court.

The duties of the preliminary administrator may be, in particular, to safeguard and preserve the debtor's property and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. This only applies, where the debtor has not applied for so-called self-administration (*Eigenverwaltung*), in which event the court will only appoint a preliminary custodian (*vorläufiger Sachwalter*), who will supervise the management of the affairs by the debtor. During preliminary insolvency proceedings, a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) generally will be appointed by the court if the debtor satisfies two of the following three requirements:

- a balance sheet total in excess of €4,840,000 (after deducting an equity shortfall if the debtor is over-indebted);
- revenue of at least €9,680,000 in the 12 months prior to the last day of the financial year preceding the filing; and/or
- 50 or more employees on an annual-average basis.

The requirements apply to the entity subject to the proceedings without taking into account the assets of other group companies. The preliminary creditors' committee will be able to participate in certain important decisions taken during the preliminary insolvency proceedings. It will, for example, have the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for "self- administration" proceedings (*Anordnung der Eigenverwaltung*), and the appointment of a preliminary custodian (*vorläufiger Sachwalter*). The court opens formal insolvency proceedings (*Insolvenzeröffnung*) if certain formal requirements are met (in particular, but not limited to, evidence being provided of an existing cause of insolvency) and there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open main insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of the insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) is usually appointed by the court who has full administrative and disposal authority over the debtor's assets unless debtor-in-possession (*Eigenverwaltung*) are ordered. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations or may deem it necessary to wind down the debtor. Satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings.

For the holders of the Notes, the most important consequences of such opening of formal insolvency proceedings against a company subject to the German insolvency regime would be the following:

- the right to administer and dispose of assets of the German subsidiary of the Issuer would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate, unless debtor-in-possession proceedings (*Eigenverwaltung*) are ordered;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by management of the German subsidiary of the Issuer after the opening of formal insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (*e.g.*, attachment) a security interest in part of the Issuer's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings; and
- claims against the German subsidiary of the Issuer may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights (*Wahlrecht des Insolvenzverwalters*) applicable under statutory law. This may also relate to agreements that are not governed by German law.

Any person that has a right to segregation (*Aussonderung*), *i.e.*, the relevant asset of this person does not constitute part of the insolvency estate, does not participate in the insolvency proceedings; the claim for segregation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All other creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)) who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is—in principle—subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). Unsecured creditors may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Certain secured creditors have preferential rights regarding the enforcement of their security interests, but German insolvency law imposes certain restrictions on their ability to enforce their security interests outside the insolvency proceedings and in many cases the insolvency administrator will have the sole right to enforce the security. Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security.

The insolvency administrator generally has the sole right (i) to realize any moveable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (*e.g.*, pledges over movable assets and rights (*Mobiliarpfandrechte*) transfer by way of security (*Sicherungsübereignung*)) as well as (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). If such enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds (plus VAT (if any)), are paid to the creditor holding the relevant security interest in the relevant collateral up to an amount equal to its secured claims. The unencumbered assets of the debtor serve to satisfy the costs of the insolvency proceeding (*Massekosten*) first and afterwards the preferred creditors of the insolvency estate (*Massegläubiger*). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate. Thereafter, all other claims (insolvency claims (*Insolvenzforderungen*)), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*). A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency laws, it is possible to implement a debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity swap with regards to the debt owed to it by the debtor if it does not consent to such swap. Creditors secured by pledges over shares in subsidiaries of the debtor are entitled to preferential satisfaction with regard to the proceeds realized in an enforcement process which has to be effected by means of a public auction outside the insolvency process. However, in the absence of authoritative case law, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or, as far as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges as described above are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts will be allocated to the insolvency estate (*Insolvenzmasse*) and would, after deduction of the costs of the insolvency proceedings (as described above) and after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Notes. If a German subsidiary or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors secured by such security. The proceeds resulting from such collateral securing creditors other than the holders of the Notes may not be sufficient to satisfy the holders of the Notes under the Note Guarantees granted by the German Guarantors after satisfaction of such secured creditors.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use. It may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (*i.e.*, there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and *vis-à-vis* each entity have to be dealt with separately. A draft act to facilitate the mastering of group insolvencies (*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*) is under discussion in Germany. However, according to this draft act it is mainly intended to provide for coordination of and cooperation between insolvency proceedings of group companies. The draft does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceedings; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*). It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

German insolvency proceedings regarding natural persons

A natural person is only insolvent in case of an (imminent) inability to pay its debts as and when they fall due (*Zahlungsunfähigkeit*)—an insolvency based on over-indebtedness (*Überschuldung*) does not apply to natural persons.

To the extent a natural person resident in Germany does not operate commercially (and has not done so recently), the consumer insolvency proceedings (*Verbraucherinsolvenzverfahren*) might apply to any such natural persons. These are insolvency proceedings based on three stages: (1) Prior to the filing for insolvency, the debtor has to set up and offer its creditors a plan to settle his debts in the course of an out-of-court debt-adjustment procedure (*außergerichtliches Schuldenbereinigungsverfahren*). During this out-of-court procedure, the general rules apply with respect to an enforcement of security interests, *i.e.*, there are no restrictions on enforcement of security. (2) If the debtor fails to reach a settlement with its creditors, he/she may file for insolvency. The insolvency court will then initiate an in-court debt-adjustment procedure (*gerichtliches Schuldenbereinigungsverfahren*) in which the court may, under certain circumstances, replace a creditor's objection to a settlement (*cram-down*). During this in-court procedure, the preliminary insolvency proceedings (*vorläufiges Insolvenzverfahren*) are pending but the court may order preliminary restrictions on enforcement of security. (3) If the in-court procedure also fails, the court may open insolvency proceedings. With respect to security interests granted by a natural person, the insolvency proceedings do not differ much from the general insolvency proceedings. The consumer insolvency proceedings may also include an insolvency plan (*Insolvenzplan*) but the debtor may not apply for debtor-in-possession status (*Eigenverwaltung*). If not the natural person but one of its creditors files for insolvency over the assets of the natural person, the court allows the natural person/debtor to file for insolvency as well. If the debtor does so, he/she has to follow the above mentioned three steps. If the debtor refuses to file for insolvency, the court may open insolvency proceedings straight-away.

Natural persons may under certain circumstances apply to be discharged from all residual debt remaining at the end of an insolvency proceeding (*Restschuldbefreiung*) if they agree to assign the seizable part of their wages for a period of generally six years from the opening of the insolvency proceedings to a court-appointed trustee. The period can be reduced to five years if the debtor has paid all costs of the proceedings or even three years if the amount that has been paid to the trustee is sufficient to repay at least 35% of the debt. The insolvency creditors may request the court to deny the discharge based on certain reasons stated in the German Insolvency Code (*Insolvenzordnung*). The discharge of all residual debt would generally not affect the security interests granted by the respective natural person that is subject to the insolvency proceedings as the German Insolvency Code (*Insolvenzordnung*) excludes certain security interests from the effects of the discharge.

An insolvency administrator may void the granting of guarantees, security interests, etc. by the insolvent natural person in the cases described below.

Limitation on Enforcement

SIR, PCS, GCG, PPS, ZYK and BidCo (together with GFKL Holdco and IBW, the potential "**German Guarantors**") are incorporated in Germany in the form of a limited liability company (Gesellschaft mit beschränkter Haftung or GmbH) ("**GmbH**") and any security (including a guarantee) granted by such a GmbH is subject to certain provision of the Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung—GmbHG*) ("**GmbHG**").

As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) (*i.e.*, assets minus liabilities and liability reserves) is or would fall below, or increases or would increase an existing shortfall of, the amount of its stated share capital (*Begründung oder Vertiefung einer Unterbilanz*). The Note Guarantees and any other security granted by a GmbH in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to secure the liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indenture, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries in the legal form of a GmbH incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees or security interest agree to enforce the guarantees or security interest against the German subsidiary only to the extent that such enforcement would not result in the GmbH's net assets falling below, or increasing an existing shortfall of, its stated share capital (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any security and Guarantee provided by a (direct or indirect) subsidiary of the Issuer in the legal form of a GmbH (incorporated or established in Germany) will contain such limitation language in the manner described. This could lead to a situation in which the respective Guarantee or security granted by a GmbH cannot be enforced at all.

GFKL Holdco is, until its later conversion into the legal form of a GmbH, incorporated in Germany in the form of a stock corporation (*Aktiengesellschaft*) ("**AG**"). The granting of guarantees by an AG for the benefit of its direct or indirect parent or sister companies is subject to the following limitations and restrictions:

Section 57 para. 1 and para. 3 of the German Stock Companies Act (*Aktiengesetz*) ("**AktG**") generally prohibits the granting of distributions and other benefits by an AG or any of its subsidiaries to the AG's direct or indirect parent or sister companies, with the exception of the distribution of the balance sheet profit (*Bilanzgewinn*) or unless otherwise permitted by applicable German corporate law. Guarantees granted by an AG or any of its subsidiaries in order to guarantee or secure liabilities of a direct or indirect parent or sister company are considered disbursements under section 57 of the AktG. Any guarantee by the AG or any of its subsidiaries will, therefore, contain so called "limitation language." Pursuant to such limitation language, the enforcement of any Note Guarantee by the AG or any of its subsidiaries will be limited to the extent that it would result in a violation of the capital maintenance rules imposed by Section 57 para. 1 and para. 3 of the AktG.

Section 71a of the AktG provides that, in general, the granting of guarantees by an AG and its direct and indirect subsidiaries which serve the purpose of supporting the financing of the acquisition of shares in such AG is prohibited and, therefore, invalid. It is a common view among German legal scholars and practitioners that such restrictions also apply to the financing of the acquisition of a direct or indirect parent company of an AG. Pursuant to section 71a para. 1 of the AktG, the aforementioned prohibition is not applicable to guarantees that are granted while a domination agreement (*Beherrschungsvertrag*) and/or profit transfer agreement (*Gewinnabführungsvertrag*) exists between the AG and the entity on whose instructions the guarantee is granted. Nonetheless, even in case a respective domination agreement (*Beherrschungsvertrag*) and/or profit transfer agreement (*Gewinnabführungsvertrag*) is in place, the granting of guarantees by the AG entity and by its direct and indirect subsidiaries to support the acquisition of a direct or indirect parent company of the AG entity could considered to be a violation of such restrictions, in which case such guarantees would be void and unenforceable or subject to a redemption claim against the beneficiary, (i) if the instructions given to the AG entity by the dominating entities to grant such guarantees constituted an unjustified and extreme infringement of the AG entity's own corporate interests and thus do not fall within the scope of benefits granted on the basis of legitimate instructions or (ii) if the loss compensation claims against the dominating entities resulting from the conclusion of the relevant domination agreement (*Beherrschungsvertrag*) and/or profit transfer agreement (*Gewinnabführungsvertrag*) would deemed to be as not fully recoverable.

This could lead to a situation in which the respective Guarantee or security granted by an AG or any of its subsidiaries cannot be enforced at all.

Furthermore, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or security interest granted by a German (direct or indirect) subsidiary of the Issuer. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero.

German capital maintenance, liquidity maintenance and financial assistance rules are subject to evolving case law. Future court rulings may further limit the access of shareholders to assets of their subsidiaries constituted in the form of a GmbH or AG, which can negatively affect the ability of German (direct or indirect) subsidiaries of the Issuer to make payment on the Notes, of the subsidiaries to make payments on the guarantees, of the secured parties to enforce the collateral or of the beneficiaries of the guarantees to enforce the guarantees.

Notwithstanding that the incurrence of the Note Guarantees by (German) direct or indirect subsidiaries of the Issuer should, as of today, not result in any illiquidity (*Zahlungsunfähigkeit*) of such German Guarantor, the enforcement of the Note Guarantees and security interests granted by such German Guarantors may be excluded, according to certain provisions contained in the limitation language, if any high court decisions (*höchstrichterliche Entscheidung*) of a German Court of Appeals (*Oberlandesgericht*) or the German Federal Court of Justice (*Bundesgerichtshof*) holding that the granting of a guarantee and/or security to secure any obligation of an affiliated company within the meaning of Section 15 AktG of such guarantor and/or security grantor (other than any of its direct or indirect subsidiaries) in comparable circumstances may nevertheless in case of the enforcement of such guarantee and/or security trigger any personal liability of the relevant German Guarantor’s managing directors pursuant to section 64 sentence 3 GmbHG.

The limitations set out above apply mutatis mutandis if the Guarantee or security is granted by a German Guarantor incorporated or established in Germany as a limited liability partnership (*Kommanditgesellschaft*) (including, without limitation, IBW) with a general partner (*Komplementär*) organized in the legal form of (i) a GmbH (*Gesellschaft mit beschränkter Haftung*); (ii) an AG; or (iii) an entrepreneurs company with limited liability (*Unternehmergesellschaft (haftungsbeschränkt)*), in relation to such general partner (*Komplementär*).

Parallel Debt; Security Interests

Under German law, certain “accessory” security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee which does not itself hold the secured claim. The holders of interests in the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes from time to time to benefit from pledges granted to the security agent under German law, the Intercreditor Agreement provides for the creation of a “parallel debt.” Pursuant to such parallel debt, the security agent becomes the holder of a claim equal to the sum of any amounts payable by any obligors under, in particular, the Notes and the Indenture (the “**Parallel Debt Obligation**”). The pledges governed by German law will directly and exclusively (to the extent the Notes are concerned) secure the Parallel Debt Obligation, rather than secure the obligations under the Notes or the holders of the Notes directly. The Parallel Debt Obligation is in the same amount and payable at the same time as the obligations of the Issuer and the Security Providers under the Notes and the Note Guarantees (the “**Principal Obligations**”), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt Obligation and any payment in respect of the Parallel Debt Obligation will discharge the corresponding Principal Obligations. Although the security agent will have, pursuant to the parallel debt, a claim against the Issuer and the Security Providers for the full principal amount of the Notes, there are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt, and hence there is no certainty that German courts will uphold such pledges. Therefore, the ability of the security agent to enforce the Collateral may be restricted. In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the security agent.

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain waiting periods and notice requirements apply. Under German law, it is unclear whether the security interest in the collateral gives the security agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (*i.e.*, the right to request the court to impose a stay on proceedings initiated by other creditors).

Hardening Periods and Fraudulent Transfer

In the event of insolvency proceedings with respect to a company, which would be based on and governed by the insolvency laws of Germany, the security interests granted as well as a guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

On the basis of these rules, an insolvency administrator may challenge (*anfechten*) transactions which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of insolvency proceedings, subject to specific periods. Such transactions can include the payment of any amounts to the holders of the Notes as well as granting them any security interest (including guarantees). The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the commencement of insolvency proceedings. If the Notes, the Note Guarantees or the security were avoided, holders of the Notes would only have a general unsecured claim in insolvency proceedings in the amount of their original investment and the holders of the Notes would be under an obligation to repay the amounts received by the insolvency estate or to waive such Guarantee or security interest.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which terms also include the provision of security or the repayment of debt) may be avoided in the following cases:

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor knew of such illiquidity (or of the circumstances that imperatively suggested that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that imperatively suggested such illiquidity or filing);
- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor, to obtain security or satisfaction for a debt to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggested such detrimental effect);
- a transaction (*Rechtsgeschäft*) by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;
- any act (*Rechtshandlung*) by the debtor without (adequate) consideration (*e.g.*, whereby a debtor grants security or a guarantee for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act (*Rechtshandlung*) performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intent to prejudice its insolvency creditors and the other party knew of such intention at the time of such act;
- any non-gratuitous contract concluded between the debtor and a related party of the debtor which directly operates to the detriment of the creditors can be avoided unless such contract was concluded more than two years prior to the filing for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors; in terms of corporate entities, the term "related party" includes, subject to certain limitations, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act (*Rechtshandlung*) that provides security or satisfaction for a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or a similar claim if (i) in case of the provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and
- any act (*Rechtshandlung*) whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debt generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "related party," there is a general statutory presumption that such party had "knowledge." Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above-described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

The German legislator is currently discussing a draft amendment concerning the statutory avoidance provisions in the German Insolvency Code (*Insolvenzordnung*). Amendments are envisaged with regards to, among others, the provisions for avoidance claims in connection with willful intent, for cash transactions (*Bargeschäfte*) and the interest rates on avoidance claims. It is also intended to privilege creditors which have obtained coverage of their claims on the basis of a valid enforcement order. It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

Luxembourg

Insolvency

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (together referred to as insolvency proceedings) may be initiated against a company having its center of main interests or an establishment (both terms within the meaning of the EU Insolvency Regulation) in Luxembourg:

- bankruptcy proceedings ("*faillite*"), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio*. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if a Luxembourg company: (i) is in a state of cessation of payments ("*cessation des paiements*") and (ii) has lost its commercial creditworthiness ("*ébranlement de crédit*"). The main effect of such proceedings is the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (*i.e.* is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company's registered office. If the

managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third parties on the basis of principles of managers'/directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with article 574 of the Luxembourg commercial code;

- controlled management proceedings ("*gestion contrôlée*"), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order the provisional stay of enforcement of claims except for secured creditors (please see the below applicable provision of the Luxembourg law dated August 5, 2005 concerning financial collateral arrangements, as amended (the "**Financial Collateral Law 2005**");
- composition proceedings ("*concordat préventif de la faillite*"), the opening of which may only be requested by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors directly. The Luxembourg court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors except for secured creditors (please see the below applicable provisions of the Financial Collateral Law 2005); or
- in addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a stay on payments ("*sursis de paiement*") or to put a Luxembourg company into judicial liquidation ("*liquidation judiciaire*"). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg commercial code or of the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "**Companies Law 1915**"). The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of a Luxembourg company in respect of the Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees (last six months' wages amounting to a maximum of six times the minimum social salary);
- employees' contributions to social security;
- certain amounts owed to the Luxembourg Revenue;
- employer's contribution to social security;
- landlords, for certain unpaid sums due to them; and
- value-added tax and other taxes and duties owed to Luxembourg Customs and Excise.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

Favorable rules apply in relation to security interests of claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments) pursuant to the Financial Collateral Law 2005. Article 20 of the Financial Collateral Law 2005 provides that Luxembourg law financial collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as valuation and enforcement measures agreed upon by the parties are valid and enforceable even if entered into during the pre-bankruptcy preference period (*période suspecte*) against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

Article 24 of the Financial Collateral Law 2005 provides that foreign law security interests over claims or financial instruments granted by a Luxembourg pledgor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interest falling within the scope of the Financial Collateral Law 2005. If article 24 applies, Luxembourg preference period rules are disapplied (save the case of fraud).

Article 21(2) of the Financial Collateral Law 2005 provides that where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangement.

Impact of insolvency proceedings on transactions

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. Other than as described above, the ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings expressly providing that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the Issuer's liabilities in order to take effect.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings. However, during such controlled management proceedings a notice of default may still be served.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuer during the preference period (*période suspecte*) which is a maximum of six months plus ten days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce (*Code de Commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law 2005; payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and
- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the Luxembourg civil code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on a Luxembourg company's business and assets and such Luxembourg company's respective obligations under the Notes.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Insolvency Regulation. In particular, rights in rem over assets located in another jurisdiction where the EU Insolvency Regulation will not be affected by the opening of insolvency proceedings, without prejudice however to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Financial Collateral Law 2005 as described above and article 13 of the EU Insolvency Regulation).

Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests

Under Luxembourg law, contracts are in principle formed by the mere agreement (*consentement*) between the parties thereto. The granting of any financial collateral governed by the Financial Collateral Law 2005 must be capable of being evidenced in writing. However, additional steps may be required to enforce security interests against third parties. According to Luxembourg conflict of law rules, Luxembourg courts will generally apply, in relation to the creation, perfection and enforcement of security interests over the assets subject to such security interests, the law of the place where such assets subject are situated (*lex rei sitae* or *lex situs*). As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims having debtors located in Luxembourg and/or governed by Luxembourg law, securities which are held through an account located (or deemed to be located) in Luxembourg and bearer securities physically held in Luxembourg.

If certain assets are 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 creation, validity and enforcement of security interests such as pledges and transfer of ownership as security, granted on financial instruments and claims (in order to secure cash settlement and/or delivery of financial instruments) are notably governed by the Financial Collateral Law 2005. Pursuant to the Financial Collateral Law 2005, a pledge (gage) is effected by a transfer of possession of the pledged assets to the pledgee or to a third party acting as depository for the pledgee and the pledgee's preference rights over the pledged assets only remain in existence as long as the pledgee or the depository remains in possession of such assets.

A physical transfer of possession not being possible for intangibles such as monetary claims, the Financial Collateral Law 2005 provides for a fictitious transfer of possession (*i.e.* perfection) which is effected by mechanisms which depend on the nature of the intangibles involved. In case of registered shares, the dispossession is validly realized by notifying the pledge to the issuer of such shares or by an acceptance of the pledge by the issuer of such shares who in turn will proceed to an entry of the pledge in the share register held by the issuer of such shares.

In case of cash bank accounts held in Luxembourg with a Luxembourg bank, the account-holding bank generally has a first-ranking security right over the accounts and the balances thereof. Hence, a pledge over such cash bank accounts is validly created and the dispossession is validly realized by notifying the pledge to the first-ranking security beneficiary/the holder of the pledged accounts (i.e. the account-holding bank) and by the acceptance of the pledge by such security beneficiary/holder of the pledged accounts, who in turn would normally also waive its first-ranking security rights over the bank accounts concerned. If future bank accounts are pledged, an additional notification to, and acceptance and waiver by the account bank will be required for both the creation and the perfection of the pledge over such future bank accounts.

A pledge granted over intragroup receivables is perfected once the relevant pledge agreement has been entered into by all parties thereto. However, in order for the debtor under the pledged receivables not to be able to validly liberate itself from its payment obligations thereunder by paying the pledgor instead of the Security Agent, when the pledge agreement provides that such payment shall inure to the Security Agent, the debtor of such receivables needs to be notified of or has to accept the pledge granted thereover.

The above perfection steps and actions need to be undertaken by the grantor of the security interest and/or the Security Agent. If the relevant pledgor or the Security Agent fails or is unable to take the necessary steps/actions required to take or perfect any of the above-mentioned security interests, such security interests will not have been created and/or perfected with respect to the claims arising under the Notes.

Article 11 of the Financial Collateral Law 2005 sets out the following enforcement methods, available upon the occurrence of the relevant enforcement event in respect of a pledge governed by the provisions of the Financial Collateral Law 2005:

- appropriation by the pledgee or appropriation by a third party of the pledged assets at (i) a value determined in accordance with a valuation method agreed upon by the parties or (ii) the listing price of the pledged assets (if the pledged assets are listed on an official Luxembourg or foreign stock market or traded on a recognized regulated market open to the public);
- selling or causing the 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 Financial Collateral Law 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, *e.g.*, courts, stock exchanges and appraisers, the enforcement of the security interests might be delayed. Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg. Luxembourg law governed security interests may not be enforceable in respect of assets located or deemed to be located outside of Luxembourg.

Security interests/arrangements, which are not expressly recognized under Luxembourg law and the powers of any receivers/administrators may not be recognized or enforced by the Luxembourg courts, in particular where the Luxembourg security grantor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, except if "main insolvency proceedings" (as defined in the EU Insolvency Regulation) are opened

under Luxembourg law and such security interests/arrangements constitute rights in rem over assets located in another Member State in which the EU Insolvency Regulation applies, and in accordance of article 5 of the EU Insolvency Regulation.

The perfection of the security interests created pursuant to the 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 in priority to the proceeds of such sale (subject to preferred rights by operation of law).

When a Luxembourg company grants guarantees and/or security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by the decision of delegates that have been appointed for such purpose. In addition, the granting of the envisaged guarantees and/or security interests must comply with the Luxembourg company's corporate object. The proposed action by the company must be "in the corporate interest of the company," which is a translation of the French "*intérêt social*," an equivalent term to the English legal concept of corporate benefit. The concept of "corporate interest" is not defined by law, but has been developed by doctrine and court precedents and may be described as being "the limit of acceptable corporate behavior."

Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In a group context, the interest of the companies of the group taken individually is not entirely eliminated. With respect to guarantors and/or security grantors incorporated in Luxembourg, even if the Companies Law 1915, does not provide for rules governing the ability of a Luxembourg company to guarantee and/or secure the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting upstream or cross-stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee or security, provided that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee or security must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee or security must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies, and (iii) such guarantee or security granted or any other financial commitments must not exceed the financial capabilities of the committing company.

Although the existence of a corporate interest in the granting of a guarantee or a security interest on a group level is certainly important, the mere existence of such a group interest does not compensate for a lack of corporate interest for one or more of the companies of the group taken individually. The concept of corporate benefit is of particular importance in the context of misuse of corporate assets provided by Article 171-1 of the Companies Law 1915. The failure to comply with the corporate benefit requirement will typically result in liability (personal and/or criminal) for the directors or managers of the guarantor concerned. The guarantees or security interests granted by a Luxembourg company could themselves be held void or unenforceable if their granting is contrary to Luxembourg public policy (*ordre public*). It should be stressed that, as is the case with all criminal offenses addressed by the Company Law 1915, a director or a manager of a company will in general be prosecuted for misuse of corporate assets only if someone has lodged a complaint with the public prosecutor. This person may be an interested third party, *e.g.*, a creditor, a minority shareholder, a liquidator or an insolvency receiver. In addition, it cannot be excluded that the public prosecutor could act on its own initiative if the existence of such a misuse of corporate assets became known to him. If there is a misuse of corporate assets criminally sanctioned by court, then this could, under general principles of law, have the effect that contracts concluded in breach of Article 171-1 of the Companies Law 1915 will be held null and void.

The criteria mentioned above have to be applied on a case-by-case basis, and a subjective, fact-based judgment is required to be made, by the directors or managers of the Luxembourg company. As a result of the above developments, the guarantees or security interests granted by a Luxembourg company will be subject to certain limitations, which will take the form of general limitation language (limiting the guarantee obligations of such Luxembourg company to a certain percentage of, *inter alia*, its net assets (*capitaux propres*) and certain intra-group liabilities), which is inserted in the relevant finance document(s), indenture or guarantee agreements and which covers the aggregate obligations and exposure of the relevant Luxembourg company under all finance documents, indenture or guarantee agreements.

The registration of the Notes, the security interest agreements, the Indenture, the Note Guarantees and the transaction documents (and any 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 interest agreements, the indenture, the guarantees and the transaction documents (and any 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 interest agreements, which are subject to the Financial Collateral Law 2005. The Luxembourg courts or the official Luxembourg authority may require (when these are presented before them) that the notes, the security interest agreements, the indenture, the guarantees and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application will be made for the Notes to be listed on the Official List of the LuxSE and admitted to trading on the Euro MTF Market, in accordance with the rules and regulations of such exchange.

Listing Information

For so long as the Notes are listed on the Official List of the LuxSE and are admitted to trading on the Euro MTF Market and the rules and regulations of the LuxSE so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the Luxembourg listing agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the organizational documents of the Issuer and the Guarantors;
- the financial statements included in this Offering Memorandum;
- the security documents;
- the Indenture (including the Note Guarantees); and
- the Intercreditor Agreement.

The Issuer has appointed Banque Internationale à Luxembourg as Luxembourg listing agent, Citibank, N.A., London Branch as transfer agent and as registrar and to make payments on, when applicable, and transfers of the Notes. The Issuer reserves the right to vary such appointments in accordance with the terms of the Indenture.

Approval

The Issuer and the Guarantors have obtained all necessary consents, approvals, authorizations or other orders for the issuance of the Notes and the Note Guarantees and the other documents to be entered into by the Issuer and the Guarantors in connection with the issuance of the Notes in Luxembourg.

Clearing Information

The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under Common Codes 126389191 and 126389256, respectively. The international securities identification number for the Notes sold pursuant to Regulation S is XS1263891910 and the international securities identification number for the Notes sold pursuant to Rule 144A is XS1263892561.

Additional Issuer Information

The Issuer was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on June 1, 2015 for an unlimited duration. The registration address is 488 route de Longwy, L-1940 Luxembourg and is registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 197.551. The initial Articles of Association were published on August 18, 2015.

For the objects of the Issuer, please refer to clause 3 of the Articles of Association. Principal objects include the following: to act as an investment holding company, to carry on any trade or business whatsoever, to invest and deal with the its own money and funds, to borrow, raise and secure the payment of money, to acquire an interest in, amalgate, merge or consolidate with and enter into partnership, to enter into any guarantee or contract of indemnity or suretyship or to provide security, to purchase, lease, exchange, hire, acquire or dispose any property real or personal, and any other activities including entering into contracts and agreements that the Board of Directors believes is incidental or conducive to attaining the company's objects.

For share capital information, please refer to clause 5 of the Articles of Association. The subscribed share capital of the Issuer is €5,000,000 divided into 500,000,000 shares with a par value of €0.01 each, all of which are fully paid up. The shares are in registered form.

Additional Bidco Information

BidCo is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of the Federal Republic of Germany on April 9, 2015 for an infinite duration. BidCo has a share capital of €25,000, comprised of 25,000 shares with a par value of €1 each, each being fully paid up. BidCo's registered name is Garfunkel Holding GmbH. Its principal executive office is at Mark-Twain-Straße 4, 81245 München and Mr. Peter-Juergen Haac is the managing member. BidCo is registered with the commercial register at the local court (*Amtsgericht*) of Frankfurt/Main under registration number HRB 101898. BidCo's object, as referenced

in the Articles of Association, is the administration of its own funds as well as the acquisition, holding and administration of companies and the provision of services towards associated companies. BidCo is currently not involved in any legal or arbitration proceedings.

Additional Guarantors Information

BidCo currently holds 24,518,919 bearer shares in GFKL Holdco, which equals 94.72% of the total registered share capital. GFKL Holdco holds, directly or indirectly, 100% of the share capital in its subsidiaries listed below.

GFKL Holdco, or GFKL Financial Services Aktiengesellschaft is a stock corporation (*Aktiengesellschaft*) incorporated as PRO Lease Leasinggesellschaft mbh & Co. KG under the laws of the Federal Republic of Germany on October 28, 1997 and was subsequently transformed into a stock corporation (*Aktiengesellschaft*) and renamed to Gesellschaft für Kommunal-Leasing Aktiengesellschaft. GFKL Financial Services Aktiengesellschaft has a stock capital of €25,883,790 comprised of 25,883,790 shares with a par value of €1 each, each being fully paid up. Corporate seat and principal executive office of the company is at Am Europa Center 1b, 45145 Essen, Germany. GFKL Financial Services Aktiengesellschaft is registered with the commercial register at the local court (*Amtsgericht*) of Essen under registration number HRB 13522. The company's activity centers on acquisitions and administration of enterprises, as well as management and acquisition of real estate and other assets.

GFKL Collections GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated as SNT Inkasso Verwaltungs GmbH under the laws of the Federal Republic of Germany on October 25, 2004 and subsequently renamed to SNT Inkasso & Forderungsmanagement GmbH. GFKL Collections GmbH has a share capital of €26,000, comprised of three shares with a par value of €24,750, €250 and €1,000, respectively, each being fully paid up. Corporate seat and principal executive office of the company is at Edison-Allee 1, 14473 Potsdam, Germany. GFKL Collections GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Potsdam under registration number HRB 18804 P. The company's principal activity centers on collection of external debt.

Inkasso Becker Wuppertal GmbH & Co. KG is a limited partnership with a limited liability company as a general partner (*GmbH & Co. KG*) incorporated as Dieter Becker Inkassobüro under the laws of the Federal Republic of Germany on December 28, 1970 and subsequently renamed to INKASSO BECKER WUPPERTAL Dieter Becker GmbH & Co KG. The capital contribution of the general partner of INKASSO BECKER WUPPERTAL GmbH & Co. KG amounts to €1,000,000. Corporate seat and principal executive office of the company is at Hofaue 46, 42103 Wuppertal, Germany. INKASSO BECKER WUPPERTAL GmbH & Co. KG is registered with the commercial register at the local court (*Amtsgericht*) of Wuppertal under registration number HRA 15353.

The general partner of Inkasso Becker Wuppertal GmbH & Co. KG, IBW Verwaltungs- und Beteiligungs GmbH, is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated as Becker Verwaltungs- und Beteiligungs GmbH under the laws of the Federal Republic of Germany on February 2, 2003. IBW Verwaltungs- und Beteiligungs GmbH has a share capital of DEM 50,000, comprised of one share with a par value of DEM 50,000, being fully paid up. Corporate seat and principal executive office of the company is at Hofaue 46, 42103 Wuppertal, Germany. IBW Verwaltungs- und Beteiligungs GmbH is registered with the commercial register at the local court (Amtsgericht) of Wuppertal under registration number HRB 7117.

The primary activity of the company is the operation of a debt collection company and provision of services relating to data processing, factoring and similar businesses.

Proceed Collection Services GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated as Hansen & Schucht Debitorenmanagement GmbH under the laws of the Federal Republic of Germany on November 20, 1997. Proceed Collection Services GmbH has a share capital of €325,000, comprised of three shares with a par value of €300,000, €15,000 and €10,000, respectively, each, each being fully paid up. Corporate seat and principal executive office of the company is at Am Europa Center 1b, 45145 Essen, Germany. Proceed Collection Services GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Essen under registration number HRB 20137. The primary activity of the company is the collection of debt on behalf of third parties.

Proceed Portfolio Services GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated as STG Neunte Vermögensverwaltungs- und Beteiligungsgesellschaft mbH under the laws of the Federal Republic of Germany on December 11, 1997 and subsequently renamed to GFKL Portfolio Services GmbH. Proceed Portfolio Services GmbH has a share capital of DEM 50,000, which is fully paid up. Corporate seat and principal executive office of the company is at Am Europa Center 1b, 45145 Essen, Germany. Proceed Portfolio Services GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Essen under registration number HRB 12949. The company's principal activity centers on

the purchase, administration and collection of its own debt as well as external debt or debt in the name of third parties.

Sirius Inkasso GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of the Federal Republic of Germany on July 21, 2003. Sirius Inkasso GmbH has a share capital of €25,000, comprised of two shares with a par value of €15,000 and €10,000, respectively, each being fully paid up. Corporate seat and principal executive office of the company is at Werdener Straße 4, 40227 Düsseldorf, Germany. Sirius Inkasso GmbH] is registered with the commercial register at the local court (*Amtsgericht*) of Düsseldorf under registration number HRB 48291. The company's principal activity centers on the sale, purchase, administration and collection of debt in its own name or in the name of third parties.

ZYKLOP INKASSO DEUTSCHLAND GMBH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated as "Zyklop" Inkasso GmbH under the laws of the Federal Republic of Germany on March 31, 1988. It was subsequently transformed into a stock corporation (*Aktiengesellschaft*) and renamed to ZYKLOP INKASSO DEUTSCHLAND AG and thereafter transformed into a limited liability company (*Gesellschaft mit beschränkter Haftung*). ZYKLOP INKASSO DEUTSCHLAND GMBH has a share capital of €210,000, comprised of one share with a par value of €210,000, being fully paid up. Corporate seat and principal executive office of the company is at Kreuzweg 64, 47809 Krefeld, Germany. ZYKLOP INKASSO DEUTSCHLAND GMBH is registered with the commercial register at the local court (*Amtsgericht*) of Krefeld under registration number HRB 3589. The principal activity of the company centers on debt collection and the purchase of receivables for its own collection in its own name.

Litigation and Arbitration involving Issuer

Except as disclosed in this Offering Memorandum, the Issuer has not been involved in any litigation or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as the Issuer is aware, no such litigation or arbitration is pending or threatened.

Additional information with respect to the Notes

The Notes Guarantee applies to the entire amount of the Notes issued.

With respect to material events, pursuant to Rule 1004 of the Luxembourg Stock Exchange, the Issuer will publish notice of such events either on the website of the Luxembourg Stock Exchange or in a local newspaper.

FINANCIAL INFORMATION

The following English-language consolidated financial statements of GFKL Financial Services AG are translations of the respective German-language consolidated financial statements of GFKL Financial Services AG.

	Page
Unaudited Condensed Consolidated Interim Financial Statements of GFKL Financial Services AG as of and for the three-month period ended March 31, 2015	
Consolidated Balance Sheet	F-2
Consolidated Income Statement	F-3
Consolidated Statement of Comprehensive Income	F-4
Consolidated Statement of Changes in Equity	F-5
Consolidated Cash Flow Statement	F-6
Notes to the Condensed Consolidated Interim Financial Statements	F-7
Audited Consolidated Financial Statements of GFKL Financial Services AG as of and for the year ended December 31, 2014	
Auditor's Report	F-10
Consolidated Balance Sheet	F-11
Consolidated Income Statement	F-12
Consolidated Statement of Comprehensive Income	F-13
Consolidated Statement of Changes in Equity	F-14
Consolidated Cash Flow Statement	F-15
Notes to the Consolidated Financial Statements	F-16
Audited Consolidated Financial Statements of GFKL Financial Services AG as of and for the year ended December 31, 2013	
Auditor's Report	F-51
Consolidated Balance Sheet	F-52
Consolidated Income Statement	F-54
Consolidated Statement of Comprehensive Income	F-55
Consolidated Statement of Changes in Equity	F-56
Consolidated Cash Flow Statement	F-57
Notes to the Consolidated Financial Statements	F-58
Audited Consolidated Financial Statements of GFKL Financial Services AG as of and for the year ended December 31, 2012	
Auditor's Report	F-95
Consolidated Balance Sheet	F-96
Consolidated Income Statement	F-98
Consolidated Statement of Comprehensive Income	F-99
Consolidated Statement of Changes in Equity	F-100
Consolidated Cash Flow Statement	F-101
Notes to the Consolidated Financial Statements	F-103

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of March 31, 2015 (in accordance with IFRSs)
in €k

	Notes	Mar. 31, 2015	Dec. 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment		3 665	3 799
Intangible assets		19 125	19 268
Goodwill		21 585	21 585
Non-performing loans and receivables acquired for settlement	6.	63 294	59 458
Derivatives with positive fair values		19	0
Other financial assets	7.	11 084	8 392
		118 771	**112 502**
Current assets			
Inventories		33	29
Non-performing loans and receivables acquired for settlement	6.	39 716	43 356
Trade and other receivables		11 716	10 761
Income tax refund claims		4 462	4 370
Other financial assets	7.	12 808	12 897
Cash and cash equivalents		45 540	35 743
		114 275	**107 157**
Total assets		**233 047**	**219 659**
EQUITY AND LIABILITIES			
Equity	8.		
Share capital		25 884	25 884
Capital reserves		51 760	51 760
Hybrid capital		37 416	36 682
Treasury shares		–17 890	–17 890
Retained earnings		64	64
Valuation reserves		–2 838	–2 853
Net retained loss		–80 782	–86 639
Equity attributable to equity holders of the parent		13 614	7 008
Non-controlling interests		663	761
Total equity		**14 277**	**7 768**
Non-current liabilities			
Liabilities to banks	9.	76 571	71 870
Derivatives with negative fair values		1 136	1 289
Other financial liabilities		31 080	32 669
Provisions		641	642
Provisions for pensions		5 291	5 291
Deferred tax liabilities		12 631	10 704
		127 349	122 465
Current liabilities			
Liabilities to banks		7 533	7 541
Derivatives with negative fair values		560	571
Trade payables and other liabilities		9 293	9 545
Other financial liabilities		45 135	42 457
Income tax provisions		17 550	17 630
Provisions		11 349	11 682
		91 421	89 426
Total liabilities		**218 770**	**211 891**
Total equity and liabilities		**233 047**	**219 659**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to March 31, 2015 (in accordance with IFRSs) in €k

	Notes	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Revenue		62 560	55 518
Other operating income		1 905	1 239
Cost of purchased goods and services	10.	286	0
Personnel expenses		11 735	11 125
Depreciation, amortization and impairment expense		1 025	917
Other operating expenses		39 673	34 522
Interest and similar income		300	230
Interest and similar expenses	11.	2 174	3 689
Earnings before tax		**9 873**	**6 733**
Income taxes		3 380	2 259
Profit/loss from continuing operations		**6 493**	**4 474**
Profit/loss from discontinued operations		0	–35
Consolidated profit/loss for the period		**6 493**	**4 439**
Profit attributable to non-controlling interests		0	0
Loss attributable to non-controlling interests		98	1
Profit/loss attributable to equity holders of the parent		**6 591**	**4 440**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic		0,27	0,18
Diluted		0,26	0,18
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic		0,00	0,00
Diluted		0,00	0,00

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to March 31, 2015 (in accordance with IFRSs)
in €k

	Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
Consolidated profit/loss for the period	**6 493**	**4 439**
Result from the valuation reserve for financial instruments	0	0
Result from deferred taxes for financial instruments	0	0
Items that may be reclassified to profit or loss in the future	**0**	**0**
Actuarial gains and losses on pension plans	0	0
Deferred taxes on actuarial gains and losses from pension plans due to tax rate adjustment	16	0
Items that will not be reclassified to profit or loss in the future	**16**	**0**
Other comprehensive income	**16**	**0**
Total comprehensive income	**6 509**	**4 439**
Thereof attributable to:		
Equity holders of the parent	6 607	4 440
Non-controlling interests	–98	–1

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to March 31, 2015 (in
in €k

	Share capital	Capital reserve s	Hybrid capital	Treasury shares	Retained earnings	Valuation reserv e for actuarial gains and losses	Valuation reser ve for financial instruments	Net retaine d loss
As of January 1, 2014	**25 884**	**51 668**	**33 852**	**–17 890**	**97**	**–1 291**	**0**	**–98 881**
Other comprehensive income	0	0	0	0	0	0	0	0
Consolidated profit/loss for the period	0	0	677	0	0	0	0	3 763
Total comprehensive income	**0**	**0**	**677**	**0**	**0**	**0**	**0**	**3 763**
As of March 31, 2014	**25 884**	**51 668**	**34 529**	**–17 890**	**97**	**–1 291**	**0**	**–95 118**
As of January 1, 2015	**25 884**	**51 760**	**36 682**	**–17 890**	**64**	**–2 853**	**0**	**–86 639**
Other comprehensive income	0	0	0	0	0	16	0	0
Consolidated profit/ loss for the period	0	0	734	0	0	0	0	5 857
Total comprehensive income	**0**	**0**	**734**	**0**	**0**	**16**	**0**	**5 857**
As of March 31, 2015	**25 884**	**51 760**	**37 416**	**–17 890**	**64**	**–2 838**	**0**	**–80 782**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to March 31, 2015 (in accordance with IFRSs) in €k

		Jan. 1 to Mar. 31, 2015	Jan. 1 to Mar. 31, 2014
1.	**Operating activities**		
	Profit/loss from continuing operations	6 493	4 474
	Profit/loss from discontinued operations	0	–35
	Consolidated profit/loss for the period	6 493	4 439
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities		
+	Depreciation, amortization and impairment expense	025	994
+/–	Change in provisions	–506	571
+/–	Change in deferred taxes	1 943	1 492
–/+	Repayments and changes in value of NPL portfolios	6 599	5 880
	Changes in assets and liabilities in the period		
–/+	Inventories	–5	0
–/+	Trade and other receivables	–955	–1 586
+/–	Trade payables and other liabilities	–51	196
–/+	Changes in other net assets	3 514	–771
=	**Cash flow from operating activities**	18 057	11 215
2.	**Investing activities**		
–	Acquisition of property plant and equipment/intangible assets	–747	–399
–	Investment in NPL portfolios	–11 079	–6 715
+	Divestment of NPL portfolios	4 285	476
=	**Cash flow from investing activities**	–7 542	–6 638
3.	**Financing activities**		
+	Cash received from bank loans	4 500	0
–	Repayment of bank loans	0	–98
+	Cash received from financing for NPL portfolios	0	16 647
–	Repayment of financing for NPL portfolios	–5 218	–3 760
=	**Cash flow from financing activities**	–718	12 789
4.	**Development of liquidity**		
	Cash and cash equivalents at the beginning of the period	35 743	60 072
+	Change in cash and cash equivalents	9 797	17 366
=	**Cash and cash equivalents at the end of the period**	45 540	77 438
5.	**Composition of cash and cash equivalents**		
	Cash	45 540	77 438
	thereof restricted cash	31 716	22 618

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the condensed consolidated interim financial statements as of March 31, 2015 (in accordance with IFRSs)

1. Basis of presentation and accounting policies

As in the case of the consolidated financial statements for the year ended December 31, 2014, these interim financial statements for the GFKL Group for the period ended March 31, 2015 have been prepared in accordance with the provisions of the International Accounting Standards Board (IASB). These provisions comprise the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as well as the interpretations issued by the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU).

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 *Interim Financial Reporting* and do not contain all of the information and disclosures required for consolidated financial statements as of year-end. These interim financial statements must therefore be read in conjunction with the consolidated financial statements as of December 31, 2014. The notes to the interim financial statements primarily comprise disclosures relating to significant events and changes that are essential to an understanding of the changes in the company's financial position and financial performance since the last balance sheet date. For detailed disclosures on recognition, measurement and consolidation methods already applied as of December 31, 2014, please refer to the notes to the consolidated financial statements for the year ended December 31, 2014.

The figures shown as of March 31, 2015 in the financial statements have been compared with the corresponding figures reported as of March 31, 2014 and December 31, 2014.

All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated.

2. Significant accounting judgments

With the forthcoming indirect change in shareholders at GFKL Financial Services AG, the tax loss carryforwards would generally be forfeited under the provisions of Sec. 8c (1) Sentence 2 KStG ["Körperschaftsteuergesetz": German Corporate Income Tax Act]. However, the company believes that the hidden reserve clause of Sec. 8c (1) Sentence 8 KStG applies as GFKL Financial Services AG should have sufficient hidden reserves. Consequently, the tax loss carryforwards would not, as matters currently stand, be forfeited due to this exemption and could be utilized against any taxable profit generated in the future. Accordingly, the company continued to recognize deferred tax assets on tax loss carryforwards.

3. Changes in the basis of consolidation and impact on the interim financial statements

The basis of consolidation has not changed compared to December 31, 2014.

4. Use of judgment and key sources of estimation uncertainty

There have been no significant restatements since December 31, 2014.

5. Significant transactions during the reporting period

There were no significant transactions during the reporting period.

6. Non-performing loans and receivables acquired for settlement

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	Jan. 1, 2015 to Mar. 31, 2015	Jan. 1, 2014 to Mar. 31, 2014
Opening balance	102 814	100 692
Acquisitions	11 079	6 750
Disposals	4 285	479
Subtotal	**109 608**	**106 963**

in €k	Jan. 1, 2015 to Mar. 31, 2015	Jan. 1, 2014 to Mar. 31, 2014
Payment receipts	23 223	22 799
Investment income	3 267	3 238
Service income	8 571	8 689
Repayment	**11 384**	**10 872**
Write-ups	6 016	6 063
Impairment expense	–1 231	–863
Measurement at fair value	**4 786**	**5 200**
Closing balance	**103 009**	**101 291**

Measurement at fair value is set out in detail below:

in €k	Jan. 1, 2015 to Mar. 31, 2015	Jan. 1, 2014 to Mar. 31, 2014
Additional amounts collected	260	450
Corrections direct write-downs	19	3
Plan adjustments	5 033	4 895
Service cost adjustments	41	0
Changes in market interest rates	663	715
Write-ups	**6 016**	**6 063**
Shortfall in amounts collected	–127	–92
Direct write-downs	–446	–35
Plan adjustments	–263	–405
Service cost adjustments	–167	–72
Changes in market interest rates	–227	–259
Impairment expense	**–1 231**	**–863**
Total changes in value	**4 786**	**5 200**

7. Other financial assets

The increase in miscellaneous financial assets mainly relates to guarantee claims for which the GFKL Group makes advance payment and which are settled through the servicing of the receivables.

8. Equity

For information on consolidated equity, please see the consolidated statement of changes in equity.

Hybrid capital

GFKL was granted another shareholder loan of €30 million by its majority shareholder on June 28, 2012. The loan has an unlimited term and may be terminated by GFKL for the first time as of December 30, 2015, giving 30 days' notice. The loan accrues interest at 8% p.a. and is reported as equity due to the terms of the loan agreement.

9. Liabilities to banks

The increase in liabilities to banks is mainly due to utilization of €4.5 million from the revolving credit facility.

10. Cost of purchased goods and services'

Cost of purchased goods and services is largely attributable to intratech GmbH which was acquired on June 30, 2014.

11. Interest and similar expenses

The decrease in interest and similar expenses is mainly due to lower interest expenses from corporate financing thanks to the refinancing arrangement which was concluded in fiscal year 2014.

12. Employees

The following summary shows the change in the number of employees (full-time equivalents – FTEs), broken down by segment:

	Mar. 31, 2015	Mar. 31, 2014
Continued operations	804	811
Discontinued operations	0	194
Employees	**804**	**1 005**
Average number of employees	**805**	**1 011**

13. Cash flow statement

In the period under review, the Group generated cash flow from interest paid of €1,494k (prior year: €1,550k) and interest received of €13k (prior year: €20k). The cash outflow from income taxes was €1,352k (prior year: inflow of €-736k). These cash flows are included in the cash flow from operating activities.

14. Related party, Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	
Marc Knothe, Vienna	May 1, 2011	

There were no unusual transactions with related parties during the period under review.

15. Events after the balance sheet date

In May 2015, the shares in the parent company Carl Holding GmbH was sold subject to conditions precedent. There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of March 31, 2015.

Essen, June 5, 2015

sgd Kamyar Niroumand
(Chairman of the
Executive Board)

sgd Marc Knothe
(Member of the
Executive Board)

sgd Christoph Pfeifer
(Member of the
Executive Board)

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2014 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft, Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, March 31, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer
Wirtschaftsprüfer
[German Public Auditor]

Hiller-Breh
Wirtschaftsprüferin
[German Public Auditor]

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of December 31, 2014 (in accordance with IFRSs) in €k

	Notes	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	III.1.	3 799	2 354
Intangible assets	III.2.	19 268	16 156
Goodwill	III.3.	21 585	23 523
Non-performing loans and receivables acquired for settlement	III.4.	59 458	59 681
Other financial assets	III.6.	8 392	78
		112 502	**101 793**
Current assets			
Inventories	III.8.	29	0
Non-performing loans and receivables acquired for settlement	III.4.	43 356	41 011
Trade and other receivables	III.9.	10 761	10 136
Income tax refund claims	III.10.	4 370	4 630
Other financial assets	III.6.	12 897	12 632
Cash and cash equivalents	III.11.	35 743	58 212
		107 157	126 620
Assets classified as held for sale	III.12.	0	11 433
		107 157	**138 053**
Total assets		**219 659**	**239 846**
EQUITY AND LIABILITIES			
Equity			
Share capital	III.13.	25 884	25 884
Capital reserves	III.14.	51 760	51 668
Hybrid capital	III.15.	36 682	33 852
Treasury shares	III.16.	–17 890	–17 890
Retained earnings	III.17.	64	97
Valuation reserves	III.18./III.25.	–2 853	–1 291
Net retained loss		–86 639	–98 881
Equity attributable to equity holders of the parent		7 008	–6 561
Non-controlling interests	III.19.	761	–100
Total equity		**7 768**	**–6 661**
Non-current liabilities			
Liabilities to banks	III.22.	71 870	100 008
Derivatives with negative fair values	III.5.	1 289	1 616
Other financial liabilities	III.23.	32 669	30 777
Provisions	III.24.	642	1 019
Provisions for pensions	III.25.	5 291	4 564
Deferred tax liabilities	III.7.	10 704	5 093
		122 465	143 077
Current liabilities			
Liabilities to banks	III.22.	7 541	10 042
Derivatives with negative fair values	III.5.	571	443
Trade payables and other liabilities	III.26.	9 545	8 509
Other financial liabilities	III.23.	42 457	41 456
Income tax provisions	III.27.	17 630	14 224
Provisions	III.24.	11 682	24 107
		89 426	98 780
Liabilities classified as held for sale	III.12.	0	4 650
		89 426	103 430
Total liabilities		**211 891**	**246 507**
Total equity and liabilities		**219 659**	**239 846**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to December 31, 2014 (in accordance with IFRSs) in €k

	Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Revenue	IV.1.	243 839	190 396
Other operating income	IV.2.	16 055	11 069
Cost of purchased goods and services	IV.3.	763	0
Personnel expenses	IV.4.	45 191	43 951
Depreciation, amortization and impairment expense	IV.5.	6 277	3 850
Other operating expenses	IV.6.	163 779	134 570
Interest and similar income	IV.7.	545	2 642
Interest and similar expenses	IV.8.	16 049	14 828
Earnings before tax		**28 380**	**6 908**
Income taxes	IV.9.	11 027	–7 536
Profit/loss from continuing operations		**17 354**	**14 444**
Profit/loss from discontinued operations	**IV.10.**	–2 260	–12 157
Consolidated profit/loss for the period		**15 094**	**2 288**
Profit attributable to non-controlling interests		21	0
Loss attributable to non-controlling interests		0	13
Profit/loss attributable to equity holders of the parent		**15 073**	**2 301**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic	V.1.	0,70	0,58
Diluted	V.1.	0,70	0,58
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic	V.1.	–0,09	–0,49
Diluted	V.1.	–0,09	–0,

-
1 Prior-year figures were adjusted.

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GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to December 31, 2014 (in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Consolidated profit/loss for the period		**15 094**	**2 288**
Result from the valuation reserve for financial instruments	III.18.	0	542
Result from deferred taxes for financial instruments	III.7.	0	–172
Items that may be reclassified to profit or loss in the future		**0**	**370**
Actuarial gains and losses on pension plans	III.18., III.25.	–2 273	–390
Deferred taxes on actuarial gains and losses from pension plans	III.18., III.25.	711	106
Items that will not be reclassified to profit or loss in the future		**–1 563**	**–284**
Other comprehensive income		**–1 563**	**86**
Total comprehensive income		**13 532**	**2 374**
Thereof attributable to:			
Equity holders of the parent		13 510	2 387
Non-controlling interests		21	–13

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 2014 (i

in €k

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserves: Valuation reserve for actuarial gains and losses III.18., III.25.	Valuation reserves: Valuation reserve for financial instruments III.18.	Net
As of January 1, 2013 before adjustment	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**0**	**–370**	
Effects from first-time application of IAS 19R	**0**	**0**	**0**	**0**	**0**	**–1 007**	**0**	
As of January 1, 2013 after adjustment	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**–1 007**	**–370**	
Other comprehensive income	**0**	**0**	**0**	**0**	**0**	**–284**	**370**	
Consolidated profit/loss for the period	**0**	**0**	**2 605**	**0**	**0**	**0**	**0**	
Total comprehensive income	**0**	**0**	**2 605**	**0**	**0**	**–284**	**370**	
Acquisition of non-controlling interests	**0**	**0**	**0**	**0**	**33**	**0**	**0**	
As of December 31, 2013	**25 884**	**51 668**	**33 852**	**–17 890**	**97**	**–1 291**	**0**	
As of December 31, 2014	**25 884**	**51 668**	**33 852**	**–17 890**	**97**	**–1 291**	**0**	
Other comprehensive income	**0**	**0**	**0**	**0**	**0**	**–1 563**	**0**	
Consolidated profit/loss for the period	**0**	**0**	**2 831**	**0**	**0**	**0**	**0**	
Total comprehensive income	**0**	**0**	**2 831**	**0**	**0**	**–1 563**	**0**	
Sale of the Multigestión Group	**0**	**91**	**0**	**0**	**–33**	**0**	**0**	
Sale of non-controlling interests	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Acquisition of non-controlling interests	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
As of December 31, 2014	**25 884**	**51 760**	**36 682**	**–17 890**	**64**	**–2 853**	**0**	

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2014 (in accordance with IFRSs) in T€

		Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
	1. Operating activities			
	Profit/loss from continuing operations		17 354	14 444
	Profit/loss from discontinued operations		–2 260	–12 157
	Consolidated profit/loss for the period		**15 094**	**2 288**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+	Depreciation, amortization and impairment expense		6 277	16 307
+	Accounting losses from the disposal of property, plant and equipment/intangible assets		118	2
–	Gain from the disposal of property, plant and equipment/intangible assets		–6	–15
+/–	Change in provisions		–9 088	–10 519
+/–	Change in deferred taxes		5 554	–368
–/+	Repayments and changes in value of NPL portfolios		23 926	32 202
	Changes in assets and liabilities in the period			
–/+	Inventories		–13	0
–/+	Trade and other receivables		–314	620
+/–	Trade payables and other liabilities		–857	–437
–/+	Change in lease assets/lease refinancing		0	0
–/+	Changes in other net assets		–3 746	13 233
=	**Cash flow from operating activities**	**VI.2, VI.3**	**36 945**	**53 312**
	2. Investing activities			
+	Cash received from the disposal of property, plant and equipment/intangible assets		10	6
–	Acquisition of property plant and equipment/intangible assets		–4 952	–2 063
–	Investment in NPL portfolios		–27 774	–26 064
+	Divestment of NPL portfolios		1 725	6 030
–	Acquisition of companies and shares less net cash acquired		–1 630	0
+/–	Sale of companies and shares less net cash sold		2 953	0
=	**Cash flow from investing activities**	**VI.4**	**–29 667**	**–22 090**
	3. Financing activities			
–	Repurchase of shares from former ABIT shareholders[1]		–21	–11
+	Cash received from bank loans		87 000	0
–	Repayment of bank loans		–116 099	–14 492
+	Cash received from financing for NPL portfolios		16 647	18 321
–	Repayment of financing for NPL portfolios		–19 134	–13 142
=	**Cash flow from financing activities**	**VI.5**	**–31 608**	**–9 324**
	4. Development of liquidity			
	Cash and cash equivalents at the beginning of the period		60 072	38 174
+	Change in cash and cash equivalents		–24 329	21 898
=	**Cash and cash equivalents at the end of the period**	**VI.1**	**35 743**	**60 072**
	5. Composition of cash and cash equivalents			
	Cash		**35 743**	**60 072**
	thereof restricted cash		24 359	19 796

1 ABIT = former ABIT AG, which was merged into GFKL Financial Services Aktiengeselslchaft in 2005

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2014 (in accordance with IFRSs)

I. General comments F-18

II. Basis of presentation and accounting policies F-18

1. Basis of presentation of the consolidated financial statements F-18
2. Changes in accounting policies and disclosure F-18
3. Effects of new and amended IFRSs F-18
4. Changes in accounting estimates F-20
5. Significant accounting estimates and assumptions F-21
6. Significant accounting judgments F-22
7. Significant accounting policies F-23
8. Consolidation disclosures F-27
9. Business risks and capital management F-30

III. Balance sheet disclosures F-30

1. Property, plant and equipment F-30
2. Intangible assets F-32
3. Goodwill F-33
4. Non-performing loans and receivables acquired for settlement F-35
5. Derivatives with positive and negative fair values F-36
6. Other financial assets F-37
7. Deferred tax assets and liabilities F-37
8. Inventories F-38
9. Trade and other receivables F-38
10. Income tax refund claims F-38
11. Cash and cash equivalents F-38
12. Disclosures on discontinued operations F-39
13. Share capital F-39
14. Capital reserves F-39
15. Hybrid capital F-40
16. Treasury shares F-40
17. Retained earnings F-40
18. Valuation reserves F-40
19. Non-controlling interests F-40
20. Conditional capital F-40
21. Authorized capital F-40
22. Liabilities to banks F-41
23. Other financial liabilities F-42
24. Provisions F-43
25. Provisions for pensions F-44
26. Trade payables and other liabilities F-46

IV. Income statement disclosures F-47

1. Revenue F-47
2. Other operating income F-47
3. Cost of purchased goods and services F-47
4. Personnel expenses and number of employees F-48
5. Depreciation, amortization and impairment expense F-48
6. Other operating expenses F-49
7. Interest and similar income F-49
8. Interest and similar expenses F-49
9. Income taxes F-49
10. Discontinued operations F-50

V. Other disclosures F-51

1. Basic/diluted earnings per share and dividends F-51
2. Additional disclosures on financial instruments F-52
3. Derecognition of assets F-54
4. Contingent liabilities F-54
5. Other financial obligations............ F-54
6. Auditor's fees F-54

VI. Cash flow statement disclosures F-55

VII. Events after the balance sheet date F-55

VIII. Related party relationships and Executive Board and Supervisory Board disclosures F-55

1. Related parties F-55
2. Executive Board and Supervisory Board disclosures F-57

List of shareholdings F-

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2014 (in accordance with IFRSs)

I. General comments

GFKL Financial Services Aktiengesellschaft, Essen (GFKL), is the parent of the GFKL Group. The company's registered offices are at Am EUROPA-CENTER 1b, Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Carl Holding GmbH, Frankfurt am Main—a subsidiary of Advent International Corp., Boston, USA—is the majority shareholder with a stake of 97.95%. GFKL is a financial services provider in the receivables management segment. Please refer to the management report for further information on operating activities.

The consolidated financial statements for fiscal year 2014 were authorized for issue by the Executive Board on March 31, 2015.

Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH have been included in full in the consolidated financial statements of GFKL. Indirect or direct control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER WUPPERTAL GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft, Essen, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with Sec. 315a HGB ["Handelsgesetzbuch" German Commercial Code]. In addition to GFKL Financial Services Aktiengesellschaft, the holding company, the GFKL Group includes 13 fully consolidated first and second-tier subsidiaries. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. GFKL Financial Services AG exercises full control over the 13 fully consolidated first and second-tier subsidiaries in accordance with IFRS 10.6, since it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. The power to control the investees is derived directly and solely from the voting rights (IFRS 10.11).

The consolidated financial statements are generally prepared using the cost method. However, non-performing loans and receivables acquired for settlement and derivative financial instruments are measured at fair value rather than at cost.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. These consolidated financial statements include comparative information for the prior reporting period.

2. Changes in accounting policies and disclosure

There were no changes in accounting policies and disclosure in the reporting period.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new standards and interpretations.

The following new standards and amendments and changes in standards and amendments that were mandatory in fiscal year 2014 for the first time did not have any significant effect on the consolidated financial statements of GFKL:

– IFRS 10—*Consolidated Financial Statements:* New guidelines on control and consolidation of subsidiaries

- IFRS 11—*Joint Arrangements:* New classification of joint operations and joint ventures and abolishment of the proportionate consolidation option
- IFRS 12—*Disclosure of Interests in Other Entities:* Disclosures on consolidated and non-consolidated entities
- IFRS 10/IFRS 11/IFRS 12—Changes—transition provisions: Changes in transition guidance
- IFRS 10/IFRS 12/IAS 27—Investment Entities: The changes grant an exemption from the consolidation of subsidiaries if the parent meets the definition of an “investment entity” (e.g., certain investment funds). Certain subsidiaries are then measured at fair value through profit or loss in accordance with IFRS 9/IAS 39
- IAS 27—*Separate Financial Statements:* Consequential amendments as a result of the new provisions for full consolidation under IFRS 10
- IAS 28—*Investments in Associates and Joint Ventures:* Consequential amendments due to the requirement to consolidate jointly controlled entities using the equity method and other changes
- IAS 32—*Financial Instruments:* Offsetting Financial Assets and Financial Liabilities
- IAS 39—*Novation of Derivatives and Continuation of Hedge Accounting*

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
IFRS 9	Financial Instruments	Jul. 24, 2014	Jan. 1, 2018	No	Change in the classification of financial assets; calculation of loss allowances based on expected credit losses; greater alignment of hedge accounting with operational risk management
IFRS 10/ IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception	Dec. 18, 2014	Jan. 1, 2016	No	None
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	No	None
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	Jan. 1, 2016	No	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2017	No	Provision, to a greater extent than previously, of useful information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers; to this end, IFRS 15 provides a 5-step principles-based model
IAS 1	Disclosure Initiative	Dec. 18, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/	Agriculture: Bearer Plants	Jun. 30, 2014	Jan. 1, 2016	No	None

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
IAS 41					
IAS 19	Employee Benefits: Defined Benefit Plans: Employee contributions	Nov. 21, 2013	Feb. 1, 2015	Yes	No significant changes
IAS 27	Equity Method in Separate Financial Statements	Aug. 12, 2014	Jan. 1, 2016	No	No significant changes
IFRS (2010 to 2012)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Feb. 1, 2015	Yes	No significant changes
IFRS (2011 to 2013)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Jan. 1, 2015	Yes	No significant changes
IFRS (2012 to 2014)	Changes and clarifications to various IFRSs	Sep. 25, 2014	Jan. 1, 2016	No	No significant changes
IFRIC 21	Levies	May 20, 2013	Jun. 17, 2014	Yes	No significant changes

Voluntary early adoption of the standards is not planned.

4. Changes in accounting estimates

Changes relate in particular to the parameters of NPL measurement, which are regularly adjusted in line with the market and the determination of expected cash flows, which were also adjusted using the same estimation techniques. For more information on the adjustment of the parameters, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.4. (Non-performing loans and receivables acquired for settlement). No changes were made in estimation techniques in the year under review.

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Non-performing loans and receivables acquired for settlement

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at €102.8 million as of the balance sheet date (prior year: €100.7 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. Since there is no active market for these assets within the meaning of IFRS 13, as transactions for the assets or liabilities did not take place with sufficient frequency and volume to provide price information on an ongoing basis, they were measured in accordance with IFRS 13.3 using an investment model, which was also used to set the purchase price. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Determining the recoverability of guarantee claims

Guarantee claims involve advance payments by the GFKL Group that are settled in the process of servicing the receivables. Estimates are used to determine the recoverability of the guarantee claims by forecasting expected future cash flows on the basis of past experience and discounting the amounts using a weighted refinancing interest rate.

Goodwill impairment test

GFKL tests goodwill (€21.6 million; prior year: €23.5 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

Pension obligations

When measuring provisions for pensions (€5.3 million; prior year: €4.6 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.25. (Provisions for pensions).

6. Significant accounting judgments

Change in the basis of consolidation

The Group sold the Multigestión Group, liquidated the Spanish Universal Lease Iberia Properties, S. L., sold SBL Mobilien GmbH, acquired intratech GmbH and Deutsche Multiauskunftei GmbH and established and included GFKL Service Center GmbH in the basis of consolidation. Please refer to section II.8.a (Consolidation disclosures) for more information.

Securitization of NPL portfolios

To diversify the financing structure, GFKL again made use of the capital market in 2014 in order to securitize non-performing loans. The objective was to establish a structure which, once successfully up and running, could be used to place further tranches in subsequent years.

NPL portfolios with a net present value totaling €22.1 million were thus securitized in the reporting period. With GFKL having acquired the junior tranche, this resulted in a net cash inflow of €16.6 million for the company in March 2014.

The plan is to use the established structure for more securitizations in 2015.

Treatment of VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG ["Umsatzsteuergesetz": German VAT Act] for the input transactions related to the acquisition of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance is expected in the first half of 2015, containing a transitional arrangement for the application of the UStAE ["Umsatzsteueranwendungserlass": Decree on the Application of the German VAT Act] (part 2.4 UStAE) that is still in effect. The company recognized a provision of €7.3 million (prior year: €14.6 million, assuming that there will be no input VAT deduction) for VAT not paid in connection with purchases of exposures in the past.

Based on the aforementioned court rulings, the company reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of €3.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to €3.8 million plus €2.7 million in interest (prior year: €2.2 million).

The relief effects previously taken into account for income tax provisions of €2.4 million were released to profit or loss (see also section III.27. (Income tax provisions)).

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

The acquired portfolios are reported at fair value under "Non-performing loans and receivables acquired for settlement." In line with their accounting treatment, the portfolios are reported at fair value to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts and costs to which a discount factor is applied. The valuation inputs of costs and discounting are estimated depending on the classification of the portfolio. Depending on the classification, the average calculated cost rates range between 12% and 48% of the expected cash receipts. Discounting is carried out using an internal rate of return (IRR) of 8% to 40%.

The initial discount factor changes over the term of the portfolios due to changes in interest rates on the capital market. Changes to discounting lead to additional monthly income or expenses from the portfolios due to changes in market interest rates.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue and the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. The main assets in the Group falling into this category are non-performing loans and receivables acquired for settlement because the Group manages these assets and measures their performance on the basis of fair value. For further information, please refer to "Accounting treatment of acquired portfolios" (section II.7.a). Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss. They are used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at cost and subsequently measured at amortized cost. The following balance sheet items fall into this category: "Other financial assets," "Trade and other receivables" and "Cash and cash equivalents."

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this

revaluation reserve must be reversed to the income statement. Unlike the prior year, GFKL had no assets in this category as of the balance sheet date.

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as “at fair value through profit or loss” on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: “Liabilities to banks,” “Other financial liabilities,” and “Trade payables and other liabilities.”

c) Other significant accounting policies

Assets classified as held for sale and liabilities classified as held for sale

Non-current assets/liabilities classified as held for sale, together with assets/liabilities in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets. Please see section III.12. (Disclosures regarding discontinued operations) for further information.

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group’s share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 10 years; vehicles, 5 years; and other office furniture and equipment, 2 to 15 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH.

As of December 31, 2014, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH. Due to the sale of SBL Mobilien GmbH on December 29, 2014, this company is no longer included in the consolidated tax group as of December 31, 2014.

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority. Current and non-current deferred tax assets and liabilities are recognized as a net item under non-current liabilities.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions—

GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost

of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL AG issued a cash settlement offer as part of the merger with ABIT AG in 2006. For the recognition of these shares, it is irrelevant as to whether they have already been tendered to GFKL AG. For those shares not yet tendered, a liability has been recognized under other financial liabilities. Proceedings are pending with regard to the settlement amount.

Cash flow and fair value hedges

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognized asset or a recognized liability and to hedging the risk of variability in cash flows.

Such derivative financial instruments are initially recognized at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of a derivative are recognized immediately in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income in respect of non-performing loans and receivables acquired for settlement is reported under revenue. This revenue relates to changes in fair values, arising primarily from the income from the investment in the receivable and any income derived from ongoing servicing.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has changed as follows compared to December 31, 2013:

The company acquired shares in intratech GmbH, Cologne, effective as of June 30, 2014. Its share capital amounts to €25k. The shares acquired as of the date of sale are equivalent to a 42.6% stake in the share capital of intratech GmbH. The purchaser is INKASSO BECKER WUPPERTAL GmbH & Co. KG, a wholly owned subsidiary of GFKL Financial Services Aktiengesellschaft, Essen. In addition, a resolution was approved to increase intratech GmbH's share capital by €4,260 to €29,260. Following the capital increase, INKASSO BECKER WUPPERTAL GmbH & Co. KG 51.0% holds of intratech GmbH' share capital. The capital increase was entered in the commercial register on July 28, 2014. The purpose of intratech GmbH is the development of software interpretations, network administration, services related to office management, assembly and installation of computer systems and other technical equipment as well as all kinds of related

business. Effective as of July 1, 2014, Walter Süss, Elchesheim-Illingen, was appointed as an additional general manager of intratech GmbH.

GFKL Service Center GmbH, Gelsenkirchen, was established on May 12, 2014. Its share capital amounts to €25k. The entry in the commercial register was made on June 27, 2014. The entity renders commercial and organizational services including IT-related work for other companies. The entity's general manager is Marc-Ulrich Knothe, Vienna, Austria.

The company acquired all the shares in Deutsche Multiauskunftei GmbH, effective as of October 27, 2014. Deutsche Multiauskunftei with its registered office in Karlsruhe is an established consulting firm and a credit information agency. Contrary to conventional credit information agencies, it has no credit rating information of its own, but rather serves as a central interface to leading information agencies in Germany, Austria and Switzerland.

The company Universal Lease Iberia Properties S.L., Seville, Spain, was liquidated with effect from December 18, 2014.

The company sold all its shares in Multigestión Portfolio S.L., Madrid, with effect from December 30, 2014.

The company sold all its shares in SBL Mobilien GmbH, Essen, effective as of December 31, 2014.

The significant assets and liabilities of the entities sold in fiscal year 2014 break down as follows:

in €k	Deconsolidated assets and liabilities
Other receivables and assets	3 915
Cash and cash equivalents	1 347
Subtotal	**5 263**
Other liabilities	1 435
Provisions	1 762
Net assets	**2 066**
Cash outflow from the disposal of companies:	
Cash deconsolidated with the subsidiary	–1 347
Cash flow (balance)	**–1 347**

The balance of cash inflows and outflows from disposals of companies consists of the cash and cash equivalents received until December 31, 2014 net of the cash and cash equivalents held by the sold companies on the disposal date.

The assets acquired and liabilities assumed from intratech GmbH (ITT) and Deutsche Multiauskunftei GmbH (DMA) break down as follows:

Assets acquired and liabilities assumed

	Acquisition-date fair value	
in €k	ITT	DMA
Assets		
Property, plant and equipment	25	0
Intangible assets	3 081	490
Inventories	70	0
Receivables and other financial assets	307	2
Cash and cash equivalents	96	18
	3 578	**511**
Liabilities		
Non-current financial liabilities	437	0
Deferred tax liabilities	662	109
Other liabilities	763	2
	1 862	**111**

in €k	Acquisition-date fair value ITT	DMA
Total identifiable net assets at fair value	**1 717**	**400**
Goodwill arising on acquisition	502	0
Non-controlling interests	837	0
Total consideration	**1 381**	**400**

In the first half of 2014, the consolidated financial statements do not include any proceeds or profits or losses of intratech GmbH (date of first-time consolidation is June 30, 2014). Proceeds or profits or losses of Deutsche Multiauskunftei GmbH are only included from the date of first-time consolidation (October 27, 2014). No information is provided on proceeds or profits or losses from January 1, 2014 because financial statements for intratech GmbH and Deutsche Multiauskunftei GmbH have only been prepared in accordance with GFKL's accounting policies since GFKL obtained control of the entities.

From June 30, 2014, consolidated profit/loss for the period includes revenue of intratech GmbH of €1.7 million and earnings of –€0.1 million.

From the date of first-time consolidation of Deutsche Multiauskunftei GmbH consolidated profit/loss for the period includes revenue of €53k and earnings of –€6k.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Carl Holding GmbH are managed in the same way as equity. The loans amounted to €57.4 million as of December 31, 2014.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

GFKL AG does not make use of preferred shares.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2014	9 263	0
Additions from business combinations	25	0
Additions	2 329	44
Reclassifications	44	–44
Disposals	2 729	0
Balance as of December 31, 2014	**8 933**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2014	6 909	0
Additions	831	0
Disposals	2 607	0
Balance as of December 31, 2014	**5 133**	**0**
Residual carrying amounts as of December 31, 2014	**3 799**	**0**

In the prior year, changes were as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2013	10 734	0
Reclassification to non-current assets classified as held for sale	2 061	0
Additions	996	206
Reclassifications	206	–206
Disposals	612	0
Balance as of December 31, 2013	**9 263**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2013	8 139	0
Reclassification to non-current assets classified as held for sale	1 814	0
Additions	932	0
Write-down due to impairment test	179	0
Disposals	527	0
Balance as of December 31, 2013	**6 909**	**0**
Residual carrying amounts as of December 31, 2013	**2 354**	**0**

Office furniture and equipment was acquired at a cost of €661k (prior year: €328k) in the current fiscal year in connection with a project to install an emergency computer center at the location in Essen. In addition, the move to the new service center in Gelsenkirchen necessitated the purchase of new office furniture and equipment. The related cost was €50k (prior year: €286k). Leasehold improvements were made in Gelsenkirchen as part of the relocation. The related cost was €53k (prior year: €109k).

As part of the relocation of GFKL's Essen operations, new office furniture and equipment was acquired at a cost of €1.1 million and leasehold improvements were made at a cost of €0.2 million. In addition, in preparation for the move, the company scrapped office furniture and equipment that cost €1.9 million and leasehold improvements that cost €0.8 million. At the time of scrapping, the assets in question had been largely written off.

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 3 to 15 years for other office furniture and equipment.

Additions from business combinations relate to other office furniture and equipment of intratech GmbH.

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2014	18 910	3 984	11 319	153
Additions from business combinations	2 393	0	1 178	0
Additions	699	395	0	1 457
Reclassifications	66	40	0	–107
Disposals	383	0	0	0
Balance as of December 31, 2014	**21 685**	**4 419**	**12 497**	**1 504**
Accumulated amortization and impairment losses				
Balance as of January 1, 2014	12 035	3 984	2 192	0
Additions	1 429	57	1 520	0
Disposals	379	0	0	0
Balance as of December 31, 2014	**13 085**	**4 041**	**3 712**	**0**
Residual carrying amounts as of' December 31, 2014	**8 600**	**378**	**8 785**	**1 504**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2013	19 207	3 984	14 569	85
Reclassification to non-current assets classified as held for sale	697	0	3 250	0
Additions	131	0	0	826
Reclassifications	758	0	0	–758
Disposals	489	0	0	0
Balance as of December 31, 2013	**18 910**	**3 984**	**11 319**	**153**
Accumulated amortization and impairment losses				
Balance as of January 1, 2013	11 642	3 984	3 144	0
Reclassification to non-current assets classified as held for sale	578	0	2 514	0
Additions	1 450	0	1 561	0
Disposals	479	0	0	0
Balance as of December 31, 2013	**12 035**	**3 984**	**2 192**	**0**
Residual carrying amounts as of December 31, 2013	**6 875**	**0**	**9 127**	**153**

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 10 years.

In the current fiscal year, IT software was acquired at a cost of €0.7 million. This software is mostly software to optimize GFKL's internal processes and procedures. By contrast, licenses costing €0.4 million that were no longer required were returned.

In addition, a subsidiary of GFKL AG developed its own software to expand the system landscape for upstream credit checks on customers. Moreover, internally developed software was acquired in the acquisition of intratech GmbH and Deutsche Multiauskunftei GmbH. Deutsche Multiauskunftei GmbH's internally developed software routes queries from customer systems in real time to the desired external data sources, standardizes the different information codes used by the credit agencies (e.g., in relation to credit information) and forwards this information as well as the raw data from the data sources used back to the customer system. In addition, customers of Deutsche Multiauskunftei GmbH have the option to have specific rules stored in the entity's system in order to take external data sources into account in their credit risk processes, e.g., in the form of a query cascade. The cost of this internally developed software comes to €0.5

million. intratech GmbH's internally developed software forms the basis of its entire business operations and allows for the placement of auxiliary business involving hardware installations and office administration, which is now increasingly becoming the focus of attention. Since the entity's formation, various modules tailored in particular to the needs of the fitness sector have been developed. The cost of this internally developed software comes to €1.9 million.

Additions to advance payments largely comprise IT software to optimize GFKL's internal processes and procedures.

In addition, contractual and non-contractual customer relationships at a cost of €1.2 million were allocated upon the purchase of intratech GmbH.

The customer relationships allocated to GFKL Collections GmbH upon its acquisition in 2012 are being amortized over a useful life of 8.5 years. Apart from goodwill, there are no intangible assets with indefinite useful lives. The contractual and non-contractual customer relationships acquired upon purchase of intratech GmbH are being amortized over a useful life of 10 years.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2013	39 838
Reclassification to non-current assets classified as held for sale	15 586
Balance as of December 31, 2013	**24 252**
Acquisition of subsidiaries	502
Balance as of December 31, 2014	**24 754**
Write-downs and impairment losses	
Balance as of January 1, 2013	4 210
Reclassification to non-current assets classified as held for sale	3 481
Balance as of December 31, 2013	**729**
Impairment losses	2 440
Balance as of December 31, 2014	**3 169**
Carrying amounts as of December 31, 2013	**23 523**
Carrying amounts as of December 31, 2014	**21 585**

in €k	Dec. 31, 2014	Dec. 31, 2013
Zyklop Inkasso Deutschland GmbH	10 102	12 542
GFKL Collections GmbH	4 253	4 253
Domnowski Inkasso GmbH	3 410	3 410
Proceed Collection Services GmbH	3 318	3 318
intratech GmbH	502	0
Total	**21 585**	**23 523**

Please refer to section III.12. (Disclosures on discontinued operations) with respect to the "Reclassifications to non-current assets held for sale" and the development of the goodwill of the Multigestión Group.

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2014 for those cash-generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash

flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 11.5% (prior year: 13.8%) for the receivables management segment in Germany. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company's financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of €39.3 million (prior year: €37.4 million), whereas the corresponding recoverable amount was €167.8 million (prior year: €46.7 million).

An impairment loss of €2.4 million was recognized on the goodwill of ZYKLOP INKASSO DEUTSCHLAND GmbH. Negative developments in financial planning or the discount rate would lead to a further reduction in goodwill.

Cash flow planning is primarily driven by a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. The Executive Board sees particular growth potential for receivables management services in the areas of telecommunications, energy supply and public sector, with the outsourcing efforts on the part of customers in particular also offering growing potential. Significant growth is also expected in e-commerce in subsequent years. The reduction of relative costs is based on the further optimization of operational processes as well as the synergy effects resulting from the centralization of service functions in the company in 2014.

In fiscal year 2013, the entire amount of the remaining goodwill of €12.1 million attributable to the Multigestión Group was written off. These impairment losses are presented under discontinued operations.

4. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	Dec. 31, 2014	Dec. 31, 2013
Secured, terminated loans	4 033	3 860
Unsecured, terminated loans	34 961	31 020
Unsecured, overdue other receivables	63 820	65 812
Total	**102 814**	**100 692**

For 2014, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	43 356	51 920	7 538	102 814

For the prior year, residual maturities were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	41 011	51 455	8 226	100 692

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	2014	2013
Opening balance	100 692	116 771
Reclassification to assets classified as held for sale	0	4 103
Acquisitions	27 774	26 064
Disposals	1 725	6 030
Subtotal	**126 740**	**132 702**

in €k	2014	2013
Payment receipts	90 010	85 884
Investment income	13 054	13 434
Service income	33 825	32 968
Repayment	**43 131**	**39 481**
Write-ups	27 018	26 343
Impairment expense	–7 813	–18 872
Measurement at fair value	**19 205**	**7 471**
Closing balance	**102 814**	**100 692**

In the current fiscal year, GFKL generated income of €67.6 million (prior year: €53.9 million) from the non-performing loans and receivables acquired for settlement.

The disposals are attributable to the return of receivables that did not meet the contractually agreed requirements.

Measurement at fair value is set out in detail below:

in €k	2014	2013
Additional amounts collected	8 104	10 048
Correction of direct write-downs	43	0
Plan adjustments	17 005	14 036
Changes in market interest rates	1 865	2 259
Write-ups	**27 018**	**26 343**
Shortfall in amounts collected	–1 585	–2 615
Direct write-downs	–639	0
Plan adjustments	–4 112	–11 902
Service cost adjustments	–472	–220
Changes in market interest rates	–1 005	–4 136
Impairment expense	**–7 813**	**–18 872**
Total changes in value	**19 205**	**7 471**

The items "Additional amounts collected" and "Shortfall in amounts collected" show deviations between actual payment receipts and planned payment receipts. For changes made in relation to future expected payment receipts, the adjustments are reported under "Plan adjustments."

The "Changes in market interest rates" item relates to changes in value attributable to interest rates. Unrealized gains and losses relate to changes from plan adjustments and changes in market interest rates.

Scenario calculations simulate the effects of changes in the input factors used to determine the fair value of the NPL portfolio investments. There are three input factors, the sensitivity of which is shown in the table below. If there is a shift in the term structure of interest rates, an interest rate of less than zero is not taken into account.

Please refer to section II.6. (Significant accounting judgments).

Input factor	Change	Simulated change in value
Cash flow	+/– 10%	+/– €9.85 million
Cost rate	+/– 5%	–/+ €7.83 million
Term structure	+ 1%	– €2.34 million
Term structure	– 1%	+ €0.90 million

5. Derivatives with positive and negative fair values

As of the balance sheet date, interest rate swaps with a total negative fair value of €1.9 million (prior year: €2.0 million) were held. There were still no interest rate swaps with positive fair values. The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates and to provide refinancing. These interest rate derivatives were not designated as hedges for hedge accounting

purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

There are derivatives which in terms of value and maturity hedge over half the nominal value of the newly concluded facility A. They were not designated as hedges for hedge accounting purposes (IAS 39).

The residual maturity was determined on the basis of the residual maturities of the derivatives.

6. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Miscellaneous non-current financial assets	8 392	78
Total other non-current financial assets	**8 392**	**78**
Cash reserve	38	39
Miscellaneous financial assets	12 860	12 593
Total other current financial assets	**12 897**	**12 632**
Total	**21 290**	**12 710**

The miscellaneous financial assets mainly relate to guarantee claims for which the GFKL Group makes advance payment and which are settled through the servicing of the receivables.

7. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of €8.0 million (prior year: €12.2 million) were then recognized. The losses relate to GFKL Financial Services Aktiengesellschaft, Essen. No losses from the period prior to the change in shareholders in December 2009 were recognized as deferred tax assets.

The deferred tax liabilities are chiefly due to the valuation of NPL portfolios.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2014	Dec. 31, 2013
NPL measurement	–16 972	–17 286
Derivatives	590	653
Intangible assets	–3 602	–2 812
Provisions	1 832	1 200
Trade receivables/payables	513	1 794
Elimination of intercompany balances	–1 116	–1 244
Loss carryforwards	7 996	12 174
Other	55	428
Balance of deferred taxes	**–10 704**	**–5 093**

The table below shows the changes in deferred taxes:

in €k	2014	2013
Deferred tax assets	0	516
Deferred tax liabilities	–5 093	–4 809
Opening balance	**–5 093**	**–4 293**
Reclassification to assets classified as held for sale and liabilities classified as held for sale	0	–516
Change in equity	710	–67
Addition from business acquisitions	–771	0
Change arising from current results	–5 551	217

in €k	2014	2013
Change in the period	**–5 611**	**–800**
Deferred tax assets	0	0
Deferred tax liabilities	–10 704	–5 093
Closing balance	**–10 704**	**–5 093**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

8. Inventories

Inventories mainly relate to IT hardware and access systems for customers of intratech GmbH.

9. Trade and other receivables

The item mainly relates to receivables from customers for services.

in €k	Dec. 31, 2014	Dec. 31, 2013
Expenses from the collection process	2 341	2 348
Refund claims from other taxes	1 528	2 454
Prepaid expenses and other items	1 338	1 300
Trade receivables	5 741	6 283
Specific valuation allowances on receivables	–187	–2 250
Total	**10 761**	**10 136**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. The decrease in valuation allowances is mainly attributable to the sale of SBL Mobilien GmbH.

10. Income tax refund claims

The income tax refund claims mainly relate to the retrospective recognition of the tax group for Proceed Portfolio Services GmbH, Essen, for the years 2004 to 2006.

11. Cash and cash equivalents

Cash and cash equivalents primarily comprise credit balances on current accounts and short-term deposits. The balance (> €5.0 million) on the cash pool master account bears interest on the basis of EONIA. This account had a balance of €3.0 million as of the balance sheet date. Balances on other accounts, which do not bear interest, came to €8.3 million. Of these cash and cash equivalents, €24.4 million (prior year: €19.8 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

12. Disclosures on discontinued operations

Assets and liabilities related to discontinued operations are recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” and comprised the assets and liabilities of the Spanish operations held for sale as of December 31, 2013. This segment comprised the following entities held for sale: Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

The following table shows the breakdown of assets classified as held for sale:

in €k	Dec. 31, 2013
Property, plant and equipment	221
Intangible assets	806
Non-performing loans and receivables acquired for settlement	3 911
Trade and other receivables	2 734
Other financial assets	417
Deferred tax assets	1 483
Cash and cash equivalents	1 861

in €k	Dec. 31, 2013
Assets classified as held for sale	**11 433**

Liabilities classified as held for sale broke down as follows:

in €k	Dec. 31, 2013
Liabilities to banks	13
Other provisions	238
Deferred tax liabilities	380
Trade payables and other liabilities	1 415
Other financial liabilities	2 604
Liabilities classified as held for sale	**4 650**

In the fiscal year, the Spanish business segment classified as held for sale was sold.

Please refer to section IV.10. for more information on discontinued operations.

13. Share capital

As of the balance sheet date, share capital amounted to €25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

14. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions. In fiscal year 2010, the acquisition of shares in the Spanish companies achieved in stages by capital increase led to €91k being withdrawn from the capital reserves. This withdrawal was included in the deconsolidation carried out in the fiscal year.

The changes in capital reserves can be seen in the consolidated statement of changes in equity.

15. Hybrid capital

On June 28, 2012, a second loan agreement for a loan of €30,000,000.00 was concluded between GFKL Financial Services Aktiengesellschaft, Essen, as borrower and Carl Holding GmbH as lender. The loan has no fixed maturity date. However, GFKL adjusted the earliest possible repayment date to March 16, 2019 in connection with the new refinancing arrangement. The loan bears interest of 8% up to and including March 16, 2019 and is reported as equity due to the terms of the loan agreement.

16. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesellschaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of €13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktiengesellschaft on August 16, 2006. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft had repurchased a total of 917,471 shares, which corresponds to a share of €917,471 (3.54%) of the share capital. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft held these shares as treasury shares. The shareholder meeting held on August 15, 2012 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG [“Aktiengesetz”: German Stock Corporation Act].

Those shares not yet tendered are also disclosed under “Treasury shares” as a result of the cash settlement offer. This disclosure is accompanied by the recognition of the as yet untendered shares as debt (synthetic liability). Please refer to section III.23. (Other financial liabilities).

17. Retained earnings

Retained earnings relate to the statutory reserve of €38k (prior year: €38k) and profit participation capital of €26k (prior year: €26k). In the prior year, the item included the retained earnings of €33k which were created

by the acquisition of the minority interests in Multigestión Portfolio S.L. and were included in the deconsolidation in the fiscal year.

18. Valuation reserves

In the fiscal year, this item included the valuation reserve for actuarial gains and losses. Please see section III.25. (Provisions for pensions) for further information.

19. Non-controlling interests

Non-controlling interests relate to the minority interests in intratech GmbH. In the prior year, the item related to minority interests in Universal Lease Iberia Properties S.L., which was liquidated in fiscal year 2014.

20. Conditional capital

The company had no conditional capital at its disposal as of the balance sheet date.

21. Authorized capital

The shareholder meeting held on July 14, 2010 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company by issuing up to 12,941,895 no-par value bearer shares for cash and/or non-cash contributions on one or more occasions up to July 13, 2015, subject to maximum total increase of €12,941,895.00. Existing shareholders are to be granted subscription rights. However, subject to the consent of the Supervisory Board, the Executive Board was authorized to exclude fractional amounts from the shareholders' subscription rights. The Executive Board is also authorized, subject to the consent of the Supervisory Board, to exclude these subscription rights if the capital increase is performed in return for non-cash contributions, in particular during the acquisition of entities, parts of entities, investments in entities or other assets including rights and receivables or as part of a business combination.

22. Liabilities to banks

The following table sets out the principal non-current and current liabilities to banks:

in €k Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2014	Dec. 31, 2013
Commerzbank, ING, NIBC	Syndicated credit facility	Sep. 16, 2018	EURIBOR various	71 870	0
BayernLB	Syndicated credit facility	Sep. 30, 2014	EURIBOR various	0	100 008
Total non-current liabilities to banks				**71 870**	**100 008**

in €k Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2014	Dec. 31, 2013
Commerzbank, ING, NIBC	Syndicated credit facility	Sep. 16, 2018	EURIBOR various	7 540	0
BayernLB	Syndicated credit facility	Sep. 30, 2014	EURIBOR various	0	10 042
Total current liabilities to banks				**7 540**	**10 042**

The arrangement fees that related to the repayment of the old credit facility and the conclusion of the new syndicated loan and that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees of €2.6 million are added back to the loan over its term, with the expense recognized in profit or loss.

GFKL's liabilities to banks are secured by senior notarized pledges of shares/limited partnership interests in the following entities:

- GFKL Financial Services Aktiengesellschaft, Essen
- INKASSO BECKER WUPPERTAL GmbH & Co. KG (including pledge of the shares in IBW Verwaltungs- und Beteiligungs GmbH), Wuppertal

– Proceed Collection Services GmbH, Essen
– Sirius Inkasso GmbH, Düsseldorf
– GFKL Collections GmbH, Potsdam

23. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Liabilities arising from NPL portfolios	2 891	5 656
Liabilities to affiliates	20 686	20 055
Pass-through obligations arising from portfolio management	5 121	1 861
Other	3 971	3 205
Total non-current	**32 669**	**30 777**
Liabilities arising from NPL portfolios	10 128	9 851
Pass-through obligations arising from portfolio management	11 029	12 411
Employee-related liabilities	3 189	2 746
Liabilities arising from the cash settlement offer	7 307	7 104
Deferred income and other items	10 804	9 343
Total current	**42 457**	**41 456**
Total	**75 126**	**72 233**

The item liabilities arising from NPL portfolios relates to sold but not derecognized NPL exposures.

The non-current liabilities to affiliates relate to a loan from Carl Holding GmbH.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers. The increase in non-current pass-through obligations is attributable to the purchase by GFKL of the receivables contained in a service agreement.

The following table shows the principal liabilities of the Group as of December 31, 2014, by maturity:

in €k	Less than 1 year	Residual maturity 1 to 5 years	More than 5 years	Total
Liabilities to banks	7 541	71 870	0	79 411
Other financial liabilities	42 457	32 669	0	75 126
Trade payables and other liabilities	9 545	0	0	9 545
Total	**59 543**	**104 539**	**0**	**164 082**

24. Provisions

in €k	Other taxes	Interest (incidental tax expenses)	Warranties	Restructuring	Archiving	Other	Total
Opening balance	15 187	3 953	855	1 519	606	3 006	25 125
Reclassification	0	0	0	0	0	0	0
Allocation	26	1 643	2	657	4	598	2 929
Utilization	258	53	0	1 519	0	1 264	3 094
Reversal	10 720	410	270	0	236	847	12 483
Disposals from the sale of companies	129	57	0	0	17	0	202
Additions from business combinations	0	0	36	0	12	0	48
Closing balance	**4 106**	**5 076**	**623**	**657**	**368**	**1 493**	**12 323**

in €k	Other taxes	Interest (incidental tax expenses)	Warranties	Restructuring	Archiving	Other	Total
Current........................	4 106	5 076	623	657	66	1 154	11 682
Non-current.................	0	0	0	0	302	340	642
Closing balance	**4 106**	**5 076**	**623**	**657**	**368**	**1 493**	**12 323**

The item “Other taxes” mainly relates to provisions for VAT backpayments in connection with the purchase of distressed receivables and VAT backpayments due to the ongoing tax audit of €0.3 million (prior year: €0.6 million). By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance is expected in the first half of 2015, containing a transitional arrangement for the application of the UStAE (part 2.4 UStAE) that is still in effect. The company recognized a provision of €7.3 million (prior year: €14.5 million, assuming that there will be no input VAT deduction) for VAT not paid in connection with purchases of exposures in the past.

Based on the aforementioned court rulings, the company reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of €3.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to a total of €3.9 million plus €2.7 million in interest (prior year: €2.2 million in interest).

In addition to the abovementioned interest on VAT of €2.7 million, the provisioned interest for incidental tax expenses included other additional interest expenses for tax audits and income taxes of €0.2 million and €2.2 million, respectively.

The relief effects previously taken into account for income tax provisions of €2.4 million were released to profit or loss (see also section III.27. (Income tax provisions)).

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions are mainly attributable to GFKL Financial Services Aktiengesellschaft. They were recognized partly for possible purchase price adjustments as a result of tax guarantees for sold subsidiaries. As they were no longer expected to be used, provisions of €270k were reversed in the reporting year.

€ 1.5 million of the provision recognized for the centralization of the companies’ file archives in 2013 and for the severance of employees and Executive Board members was used in the reporting year. €0.7 million thereof related to the transfer of the outstanding potential liabilities from GFKL Financial Services Aktiengesellschaft, Essen, to the newly formed GFKL Service Center GmbH. In addition, severance payments of €0.2 million were made to departing employees.

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 20 years. The changes in other provisions over the fiscal year are shown in the following table. Changes in the discount rate resulted in a reversal of €0.2 million in the reporting period.

The “Other” item mainly comprises an allocation in connection with the acquisition of intratech GmbH by INKASSO BECKER WUPPERTAL GmbH & Co. KG and for potential payments under an existing lease. The utilization related in particular to expenses of €0.4 million incurred in connection with the sale of the Multigestión Group and expenses of €0.6 million for an onerous contract. €0.6 million of the provision for the onerous contract and €0.1 million of the provision for the sale of the Multigestión Group were reversed to profit and loss.

Disposals from the sale of companies relate to the accounts of the sold SBL Mobilien GmbH. The provisions of GFKL Service Center GmbH, intratech GmbH and Deutsche Multiauskunftei GmbH are recognized under additions from business combinations on the date of first-time consolidation in the GFKL Group.

25. Provisions for pensions

GFKL has defined benefit pension obligations. Pension obligations—were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 2.03% and 2.2% (prior year: 3.13% and 3.7%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.67-74. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5% (prior year: 1.5% to 2.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions -for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The net liability is calculated as follows:

in €k	2014	2013	2012
Present value of unfunded defined benefit obligation	8 480	7 600	7 230
Plan assets	–3 189	–3 036	–2 843
Net liability	**5 291**	**4 564**	**4 386**

The following table shows the changes in the defined benefit obligation:

in €k	2014	2013
Opening balance of defined benefit obligation	**7 600**	**7 230**
Interest expense	262	253
Pension payments	–151	–151
Current service cost	66	66
Actuarial losses	2 189	202
Change in basis of consolidation	–1 485	0
Closing balance of defined benefit obligation	**8 480**	**7 600**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2014	2013
Opening balance of plan assets	**3 036**	**2 843**
Net interest income	111	107
Actuarial gains/losses (–)	–85	–188
Contributions	127	141
Balance-dependent reclassification	0	132
Closing balance of plan assets	**3 189**	**3 036**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €127k (prior year: €111k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2014	2013
Opening balance	**4 564**	**4 386**
Payments arising from pension obligations	–151	–151
Allocation to defined benefit obligation	218	211
Allocation to plan assets	–127	–141
Actuarial gains (–)/losses	2 273	390
Balance-dependent reclassification	0	–132
Change in basis of consolidation	–1 485	0
Closing balance	**5 291**	**4 564**

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.4. (Personnel expenses and number of employees).

A quantitative sensitivity analysis of the key assumptions as of December 31, 2014 is as shown below:

in €k	Dec. 31, 2014	Dec. 31, 2013
Interest rate		
Increase 0.2% (prior year: 0.5%)	–357	–646
Decrease 0.2% (prior year: 0.5%)	342	710
Salary trend		
Increase 0.5%	116	91
Decrease 0.5%	–107	–86
Benefit trend		
Increase 0.5% (prior year: 1%)	646	1 181
Decrease 0.5% (prior year: 1%)	–577	–1 020

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realized changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

in €k	Dec. 31, 2014	Dec. 31, 2013
Within the next 12 months (next fiscal year)	83	153
Between 2 and 5 years	798	940
Between 5 and 10 years	1 334	1 671
More than 10 years	14 650	16 368
Total expected payments	**16 865**	**19 132**

The average duration of the defined benefit obligation at the end of the reporting period is 21 years.

26. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2014	Dec. 31, 2013
Liabilities from other taxes	1 967	1 700
Trade payables	3 506	2 735
Advance payments received	2 715	2 854
Deferred income and other items	1 357	1 219
Total	**9 545**	**8 509**

Income tax provisionsThe income tax provisions relate to provisions for corporate income tax and solidarity surcharge totaling €7.0 million (prior year: €4.8 million), trade tax of €7.5 million (prior year: €5.4 million) and provisions for the tax audit of €3.1 million (prior year: €4.0 million).

The increase in income tax provisions for corporate income tax, solidarity surcharge and trade tax is mainly due to the elimination (and recognition in profit or loss) of income tax relief effects from the recognition of VAT on NPL purchases.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	2014	2013
Fees from the collection process	132 225	94 487
Cost refunds from the collection process	42 271	34 527
Revenue from acquired portfolios	67 555	61 365
Services and programming revenue	1 312	0
Maintenance revenue and royalties	394	0
Other	82	17
Total	**243 839**	**190 396**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired for settlement. GFKL bears the entire risk of holding these portfolios. The recognized revenue reflects the change in the fair value of the recognized assets. The underlying measurement model is based on standard market terms and conditions.

Services and programming revenue as well as maintenance revenue and royalties relate to intratech GmbH which was acquired in fiscal year 2014.

2. Other operating income

Other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences. For more information on the reversal of provisions and accrued liabilities, please see section III.24. (Provisions).

Other operating income breaks down as follows:

in €k	2014	2013
Reversal of provisions and accrued liabilities	12 483	4 070
Income from the reversal of valuation allowances on receivables	817	936
Income from cost allocations and receipt of various fees	2	0
Income from exchange differences	2	4
Income from the disposal of non-current assets	6	15
Purchase price adjustments	0	3 804
Other income	2 746	2 239
Total	**16 055**	**11 069**

Please see section III.24. (Provisions) for further information regarding the reversal of provisions.

3. Cost of purchased goods and services

Cost of purchased goods and services is largely attributable to the acquisition of hardware and access systems at intratech GmbH.

4. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	2014	2013
Receivables management	698	709
Holding company	103	113
Continuing operations	**801**	**822**
Discontinued operations	0	196
Employees	**801**	**1 018**
thereof employees in Germany	*801*	*822*
Average number of employees	**806**	**1 033**

The average number of employees is determined on the basis of a monthly analysis. The employees in discontinued operations were those of the Spanish companies Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

Long-service bonus commitments have been made to some of the employees in the GFKL Group. The provision (€322k; prior year: €317k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

For information on the severance of employees and Executive Board members, please see section III.24. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	2014	2013
Current service cost	66	66
Interest income	–111	–107
Interest expense	262	253
Total	**218**	**211**

In addition to the expenses for pensions obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to €2 927k (prior year: €2 878k).

Please see section III.25. (Provisions for pensions) for further information.

5. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation and impairment of property, plant and equipment and the amortization and impairment of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment), III.2. (Intangible assets) and III.3 (Goodwill).

6. Other operating expenses

Other operating expenses break down as follows:

in €k	2014	2013
Costs of the collection process	139 638	102 639
Valuation allowances and write-downs on receivables	1 322	1 475
Valuation allowances and write-downs on financial assets	20	0
General and administrative expenses, contributions and rent	12 815	13 072
Personnel recruitment and freelancers	4 695	4 566
Consulting and auditing fees	3 089	4 225
Expense from the measurement of NPL receivables	286	6 560
Other taxes	137	0
Commissions, incidental refinancing costs	282	66

in €k	2014	2013
Expenses arising from the disposal of assets	118	2
Other operating expenses	1 377	1 965
Total	**163 779**	**134 570**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables. The increase in expenses year on year is largely due to higher expenses for collection lawyers of €36.6 million.

The item "General and administrative expenses, contributions and rent" includes expenses from operating leases for vehicles and office equipment amounting to €3.1 million (prior year: €3.1 million).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

7. Interest and similar income

Interest and similar income mainly relates to the fair value measurement of derivatives.

8. Interest and similar expenses

Interest expenses arise mainly from loan liabilities of Carl Holding GmbH and expenses from fair value measurement as well as interest expenses from derivatives.

9. Income taxes

Group tax expense is calculated using a tax rate of around 32% (prior year: 32%). This tax rate is also used for the calculation of deferred taxes.

The following table shows the tax reconciliation:

in €k	2014	2013
Earnings before income tax	28 380	6 908
Expected income taxes	**9 002**	**2 191**
Modification of the determination of taxable income	914	327
Measurement and utilization of loss carryforwards	5	318
Out-of period taxes	2 674	–8 987
Permanent effects	–2 043	–1 423
True-up/valuation allowances	447	0
Other	28	38
Effective income taxes	**11 027**	**–7 536**

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft.

Out-of-period taxes mainly relate to the elimination (and recognition in profit or loss) of income tax effects from the recognition of VAT on NPL purchases.

The permanent effects largely concern the interest on the hybrid loan from the shareholder and the recognition of equity investments.

The tax expenses are as follows:

in €k	2014	2013
Current taxes	2 802	1 234
Current taxes from prior years	2 674	–8 987
Deferred taxes	5 551	217
Total	**11 027**	**–7 536**

10. Discontinued operations

The sale of the Spanish companies of the GFKL Group planned in fiscal year 2013 made it necessary to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. In the current reporting period, the sale of the Spanish companies was completed as of December 30, 2014. The profit/loss from these operations is included in the profit/loss from discontinued operations in the income statement.

Information on results and cash flows from discontinued operations is provided below. The results generated in both periods covered are presented on a separate line in the income statement.

For the purposes of presentation in accordance with IFRS 5.33, intragroup balances and transactions between discontinued and continuing operations are not consolidated if it is probable that the business relationships will be continued after the disposal.

The depreciation/amortization of non-current assets of discontinued operations was suspended.

The result from discontinued operations breaks down as follows:

in €k	2014	2013
Discontinued operations income	6 410	13 845
Discontinued operations expenses	6 738	13 300
thereof in respect of affiliates	*260*	*260*
Earnings before tax	**–328**	**545**
Taxes on earnings	89	–117
Profit/loss from measurement/deconsolidation less costs to sell	–2 021	–12 585
Profit/loss from discontinued operations	**–2 260**	**–12 157**

in €k	2014	2013
Cash flow from operating activities	–159	14 118
Cash flow from investing activities	5 699	–56
Cash flow from financing activities	–6 175	–15 763
Total	**–635**	**–1 702**

In the prior year, assets and liabilities related to discontinued operations were recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” (section III.12.) and comprise the assets and liabilities of the operations held for sale as of December 31, 2013.

V. Other disclosures

1. Basic/diluted earnings per share and dividends

Earnings per share are calculated on the basis of the profit attributable to the equity holders of the parent and the number of outstanding shares in the Group’s parent, GFKL Financial Services Aktiengesellschaft. As of December 31, 2014, the average number of shares was 24,783,567 (prior year: 24,783,567). Treasury shares (1,100,223 shares; prior year: 1,100,223 shares) are not taken into account in the calculation of earnings per share.

The average number of shares is derived from the number of shares in GFKL Financial Services Aktiengesellschaft including the issue of new shares. In order to determine diluted earnings per share, the shares not yet tendered under the cash settlement offer and the corresponding interest must be taken into account.

Beginning of period	End of period	No. days	No. shares	Weighting
Jan. 1, 2014	Dec. 31, 2014	365	24 783 567	24 783 567
Total/average:		**365**		**24 783 567**

Basic earnings per share were calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares, as follows:

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss from continuing operations after non-controlling interests in €k	17 332	14 457
Profit/loss from discontinued operations in €k	–2 260	–12 157

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss attributable to equity holders of the parent in €k	**15 073**	**2 301**
Weighted number of shares	24 783 567	24 783 567
Earnings per share in €	**0.61**	**0.09**

Diluted earnings per share was calculated as follows:

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss from continuing operations after non-controlling interests in €k	17 411	14 541
Profit/loss from discontinued operations in €k	–2 260	–12 157
Profit/loss attributable to equity holders of the parent in €k	**15 151**	**2 384**
Weighted number of shares	25 001 088	25 005 526
Earnings per share in €	**0.61**	**0.10**

The profit/loss used for determining diluted earnings per share is adjusted for interest expenses and corresponding taxes for outstanding share repurchases of €78k (prior year: €84k). The weighted average number of shares is influenced by the number of shares outstanding as of January 1, 2014 from the cash settlement offer to former ABIT shareholders. The required issue of new ordinary shares at the current share price that would be necessary to settle the outstanding amount under the cash settlement offer is determined in this context.

As for 2013, there are no plans to distribute a dividend for 2014.

2. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2014 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	67 794	67 794
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	102 814	102 814
Liabilities			
Financial liabilities at amortized cost	FLAC	164 082	164 082
Financial liabilities at fair value through profit or loss	FLaFV	1 860	1 860

GFKL holds financial instruments in the categories “Loans and receivables” and “Financial assets at fair value through profit or loss.” In the “Financial assets at fair value through profit or loss” category, the carrying amount is equal to the fair value because these items are recognized at market value. In the case of financial instruments in the “Loans and receivables” category, the carrying amount is also equal to the fair value because these items are recognized at the expected settlement amount taking into account appropriate valuation allowances. Assets and liabilities are mostly subject to floating-rate interest. An exception is the fixed-rate subordinated loan from Carl Holding GmbH, which is non-current.

As of December 31, 2013, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	81 058	81 058
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	100 692	100 692
Liabilities			
Financial liabilities at amortized cost	FLAC	190 791	190 791
Financial liabilities at fair value through profit or loss	FLaFV	2 059	2 059

NPL portfolios and derivatives that do not qualify for hedge accounting are recognized in the “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss” categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7; NPL portfolios under Level 3.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques for determining the fair value of the NPL investments.

The “Financial liabilities at amortized cost” are mostly floating-rate loans. There is no evidence that the agreed credit spreads have changed significantly since the loans were entered into. Thus the carrying amounts remain equivalent to the fair values of the financial liabilities.

As of December 31, 2014, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k

Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	1	2	–565	123	**–443**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	66 690	**66 690**
FLAC	376	12 420	0	130	**–11 914**
FLaFV	25	1 275	0	0	**–1 251**

As of December 31, 2013, the amounts were as follows:

in €k

Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	4	0	–489	10	**–475**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	53 062	**53 062**
FLAC	0	10 183	0	56	**–10 127**
FLaFV	53	2 837	0	0	**–2 784**

As part of refinancing arrangements for securitization transactions, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Assigned NPL portfolios	13 066	26 446
Total	**13 066**	**26 446**

There are no financial instruments that include multiple embedded derivatives.

For disclosures on compliance with the terms and conditions of loan agreements, please refer to the information on capital management under section II.9. (Business risks and capital management).

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

in €k	Dec. 31, 2014	Dec. 31, 2013
Derivative financial instruments with negative fair values —not designated as part of a hedge relationship	–1 860	–2 058

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. It was not possible to apply the rules of hedge accounting to the

derivatives as of December 31, 2014. Derivative financial instruments with a negative fair value of €1,460k are held to hedge against fluctuations in the fair value of the NPL portfolios arising from changes in the general level of interest rates. Derivative financial instruments with a negative fair value of €400k are held to hedge against changes in value from refinancing arising from changes in the general level of interest rates.

3. Derecognition of assets

Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL retains substantially all the risks and rewards of the NPL portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under “Non-performing loans and receivables acquired for settlement” (€46.1 million; prior year: €24.3 million) and the liabilities under “Other financial liabilities” (€13.0 million; prior year: €15.8 million).

4. Contingent liabilities

In connection with Multigestión Cartera’s NPL sale to Alkali Investments II SARL, Luxembourg, there is a continued liability of €2.3 million until December 31, 2015.

5. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

As of December 31, 2014, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 972	7 803	4 626
Maintenance agreements	358	197	0
Operating leases	2 073	2 224	350

As of December 31, 2013, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 913	1 429	0
Maintenance agreements	259	283	0
Operating leases	300	201	0

GFKL enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

6. Auditor’s fees

The group auditor’s fees for the fiscal years break down as follows:

in €k	2014	2013
Audit services	225	249
Audit-related services	147	210
Tax services	85	92
Other services	420	165
Total	**876**	**715**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, GFKL’s activities include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from

investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made

1. Cash and cash equivalents comprised cash amounting to €35.7 million (prior year: €60.1 million). €24.4 million (prior year: €19.8 million) of this amount is earmarked funds as of December 31, 2014. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet and do not contain any cash from discontinued operations (prior year: €1.9 million).
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€90.0 million; prior year: €88.7 million).
3. As of December 31, 2014, the Group's cash flow from operating activities amounted to €36.9 million (prior year: €53.3 million).
4. The cash flow from investing activities of –€29.7 million (prior year: –€22.1 million) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to –€27.8 million (prior year: –€26.1 million). Please see section II.8.a (Basis of consolidation) for further information on cash flows from corporate transactions.
5. Apart from the repayment of loans as well as the repayment of the old syndicated loan and the raising of the new syndicated loan, the cash flow from financing activities of –€31.6 million (prior year: –€9.3 million) comprised cash received from the financing of NPL portfolios (€16.6 million; prior year: €18.3 million).
6. In the period under review, the Group generated cash flow from interest paid of €11.1 million (prior year: €8.8 million) and interest received of €42k (prior year: €1.3 million). The cash flow from income taxes was –€0.3 million (prior year: –€0.1 million).

VII. Events after the balance sheet date

In February 2015, an agreement concerning the sale of an insolvency claim contained in a secured portfolio with a carrying amount of €3.8 million was concluded. The purchase price amounts to €4.6 million and includes interest claims as well as the principal claim itself. A guarantee of €0.6 million was given by the GFKL Group on the interest claims.

There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2014.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures

1. Related parties

Carl Holding GmbH, a subsidiary of Advent International, is the majority shareholder with a stake of 97.95%. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under "Transactions." The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Executive Board and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Advent International	1 631	1 590	20 686	20 055
Equity holders with a significant influence	**1 631**	**1 590**	**20 686**	**20 055**
Related parties of the equity holder with a significant influence	**1 485**	**0**	**201**	**4**
Associates	0	0	0	0
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	223	141	21	0

	Transactions		Balances	
	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Total	**3 339**	**1 731**	**20 908**	**20 059**

Liabilities to Advent International are primarily due to loans granted by Carl Holding GmbH. Please also see section III.15. (Hybrid capital).

Receivables and transactions relating to services rendered break down as follows:

	Transactions		Balances	
in €k	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Advent International	21	11	0	0
Equity holders with a significant influence	**21**	**11**	**0**	**0**
Related parties of the equity holder with a significant influence	**1 636**	**377**	**602**	**64**
Associates	0	0	0	0
Entities over which key persons have a significant influence	1	0	1 871	0
Management in key positions	1	1	0	0
Total	**1 659**	**389**	**2 472**	**64**

The Executive Board members simultaneously hold investments in an Advent entity that indirectly holds shares in GFKL AG. The shares were acquired at market prices. This therefore did not have an effect on GFKL's profit or loss. Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

SBL Mobilien GmbH and Multigestión Portfolio S.L. were sold to an entity over which a Supervisory Board member has a significant influence.

Related party transactions are conducted on an arm's length basis.

2. Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	
Marc Knothe, Vienna	May 1, 2011	

The following table shows the total remuneration paid to the Executive Board and in the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation in the year under review:

in €k	2014	2013
Current remuneration	1 880	1 887
Executive Board remuneration	**1 880**	**1 887**
Supervisory Board remuneration	92	92
Total remuneration	**1 972**	**1 979**

A pension obligation in favor of a former member of the Executive Board resulted in expenses of €0k in the reporting period (prior year: €68k). Please see section III.25. (Provisions for pensions) for further information.

In the past two years, the Supervisory Board members were:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	
Hans-Hermann Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	

Essen, March 31, 2015

sgd Kamyar Niroumand
(Chairman of the
Executive Board)

sgd Marc Knothe
(Member of the
Executive Board)

sgd Christoph Pfeifer
(Member of the
Executive Board)

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2013 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft, Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, April 17, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer	Uhl
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of December 31, 2013 (in accordance with IFRSs)[1]
in €k

	Notes	Dec. 31, 2013	Dec. 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment	III.1.	2 354	2 595
Intangible assets	III.2.	16 156	19 074
Goodwill	III.3.	23 523	35 628
Non-performing loans and receivables acquired for settlement	III.5.	59 681	70 897
Other financial assets	III.7.	78	2 574
Deferred tax assets	III.8.	0	516
		101 793	**131 285**
Current assets			
Non-performing loans and receivables acquired for settlement	III.5.	41 011	45 874
Trade and other receivables	III.9.	10 136	13 490
Income tax refund claims	III.10.	4 630	1 354
Other financial assets	III.7.	12 632	21 588
Cash and cash equivalents	III.11.	58 212	38 174
		126 620	120 481
Assets classified as held for sale	III.12.	11 433	0
		138 053	**120 481**
Total assets		**239 846**	**251 765**
EQUITY AND LIABILITIES			
Equity			
Share capital	III.13.	25 884	25 884
Capital reserves	III.14.	51 668	51 668
Hybrid capital	III.15.	33 852	31 246
Treasury shares	III.16.	–17 890	–17 890
Retained earnings	III.17.	97	64
Valuation reserves	III.18.	–1 291	–1 377
Net retained loss		–98 881	–98 576
Equity attributable to equity holders of the parent		–6 561	–8 981
Non-controlling interests	III.19.	–100	–54
Total equity		**–6 661**	**–9 034**
Non-current liabilities			
Liabilities to banks	III.22.	100 008	108 266
Derivatives with negative fair values	III.6.	1 616	2 785
Other financial liabilities	III.23.	30 777	32 661
Provisions	III.24.	1 019	2 527
Provisions for pensions	III.25.	4 564	4 386
Deferred tax liabilities	III.8.	5 093	4 809
		143 077	155 434
Current liabilities			
Liabilities to banks	III.22.	10 042	14 037
Derivatives with negative fair values	III.6.	443	1 227
Trade payables and other liabilities	III.26.	8 509	12 816
Other financial liabilities	III.23.	41 456	33 061
Income tax provisions	III.27.	14 224	18 384
Provisions	III.24.	24 107	25 840
		98 780	105 366
Liabilities classified as held for sale	III.12.	4 650	0

	Notes	Dec. 31, 2013	Dec. 31, 2012
		103 430	105 366
Total liabilities		**246 507**	**260 800**
Total equity and liabilities		**239 846**	**251 765**

1 Prior-year figures were adjusted due to the first-time application of IAS 19R.

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to December 31, 2013 (in accordance with IFRSs)[1] in €k

	Notes	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Revenue	IV.1.	190 396	156 976
Other operating income	IV.2.	11 069	9 017
Personnel expenses	IV.3.	43 951	43 384
Depreciation, amortization and impairment expense	IV.4.	3 850	3 991
Other operating expenses	IV.5.	134 570	125 328
Interest and similar income	IV.6.	2 642	902
Interest and similar expenses	IV.7.	14 828	14 651
Profit/loss from investments accounted for using the equity method	IV.8.	0	56
Earnings/loss before tax		**6 908**	**–20 403**
Income taxes	IV.9.	–7 536	413
Profit/loss from continuing operations		**14 444**	**–20 817**
Profit/loss from discontinued operations	**IV.10.**	–12 157	–3 174
Consolidated profit/loss for the period		**2 288**	**–23 991**
Profit attributable to non-controlling interests		0	1
Loss attributable to non-controlling interests		13	6
Profit/loss attributable to equity holders of the parent		**2 301**	**–23 986**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic	V.1.	0,58	–0,84
Diluted	V.1.	0,58	–0,83
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic	V.1.	–0,49	–0,13
Diluted	V.1.	–0,49	–0,13

1 Prior-year figures were adjusted.

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GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to December 31, 2013 (in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Consolidated profit/loss for the period		**2 288**	**–23 991**
Result from the valuation reserve for financial instruments	III.18.	542	1 394
Result from deferred taxes for financial instruments	III.8.	–172	–442
Items that may be reclassified to profit or loss in the future		**370**	**952**
Actuarial gains and losses on pension plans	III.18., III.25.	–390	–2 033
Deferred taxes on actuarial gains and losses from pension plans	III.18., III.25.	106	645
Items that will not be reclassified to profit or loss in the future		**–284**	**–1 388**
Other comprehensive income		**86**	**–436**
Total comprehensive income		**2 374**	**–24 427**
Thereof attributable to:			
Equity holders of the parent		2 387	–24 422
Non-controlling interests		–13	–5

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 2013 (i
in €k

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserve for actuarial gains and losses III.18., III.25.	Valuation reserve for financial instruments III.18.	Currency translation
As of January 1, 2012 before adjustment	**25 884**	**51 668**	**0**	**–17 890**	**64**	**0**	**–1 321**	**0**
Effects from first-time application of IAS 19R	**0**	**0**	**0**	**0**	**0**	**381**	**0**	**0**
As of January 1, 2012 after adjustment	**25 884**	**51 668**	**0**	**–17 890**	**64**	**381**	**–1 321**	**0**
Other comprehensive income	**0**	0	0	0	0	–1 388	952	0
Consolidated profit/loss for the period	**0**	0	1 246	0	0	0	0	0
Total comprehensive income	**0**	**0**	**1 246**	**0**	**0**	**–1 388**	**952**	**0**
Contribution	**0**	0	30 000	0	0	0	0	0
As of December 31, 2012	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**–1 007**	**–370**	**0**
As of January 1, 2013 before adjustment	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**0**	**–370**	**0**
Effects from first-time application of IAS 19R	**0**	**0**	**0**	**0**	**0**	**–1 007**	**0**	**0**
As of January 1, 2013 after adjustment	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**–1 007**	**–370**	**0**
Other comprehensive income	**0**	0	0	0	0	–284	370	0
Consolidated profit/loss for the period	**0**	0	2 605	0	0	0	0	0
Total comprehensive income	**0**	**0**	**2 605**	**0**	**0**	**–284**	**370**	**0**
Acquisition of non-controlling interests	**0**	0	0	0	33	0	0	0
As of December 31, 2013	**25 884**	**51 668**	**33 852**	**–17 890**	**97**	**–1 291**	**0**	**0**

[1] Prior-year figures were adjusted due to the first-time application of IAS19R.

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2013 (in accordance with IFRSs)[1]

in €k

		Notes	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
1.	**Operating activities**			
	Profit/loss from continuing operations		14 444	–20 817
	Profit/loss from discontinued operations		–12 157	–3 174
	Consolidated profit/loss for the period		**2 288**	**–23 991**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+	Depreciation, amortization and impairment expense		16 307	8 895
+	Accounting losses from the disposal of property, plant and equipment/intangible assets		2	107
–	Gain from the disposal of property, plant and equipment/intangible assets		–15	0
+/–	Change in provisions		–10 519	8 733
+/–	Change in deferred taxes		–368	–4 724
–/+	Repayments and changes in value of NPL portfolios		32 202	34 402
	Changes in balances in the period			
–/+	Trade and other receivables		620	5 586
+/–	Trade payables and other liabilities		–437	–1 611
–/+	Changes in other net assets		13 233	–9 118
=	**Cash flow from operating activities**	VI.3.	**53 312**	**18 279**
2.	**Investing activities**			
+	Cash received from the disposal of property, plant and equipment/intangible assets		6	147
–	Acquisition of property plant and equipment/intangible assets		–2 063	–2 872
+	Cash received from transferred receivables		0	24 600
–	Cash paid for loans granted and other financial investments		0	–500
–	Investment in NPL portfolios		–26 064	–16 487
+	Divestment of NPL portfolios		6 030	1 952
–	Acquisition of companies and shares less net cash acquired		0	–23 279
+/–	Sale of companies and shares less net cash sold		0	467
+	Cash received from the sale of financial assets		0	1 500
–	Acquisition of financial assets		0	–13
=	**Cash flow from investing activities**	VI.4.	**–22 090**	**–14 483**
3.	**Financing activities**			
+	Cash received from the issue of equity instruments		0	30 000
–	Repurchase of shares from former ABIT shareholders		–11	–20
–	Repayment of bank loans		–14 492	–25 785
+	Cash received from financing for NPL portfolios		18 321	0
–	Repayment of financing for NPL portfolios		–13 142	–28 416
=	**Cash flow from financing activities**	VI.5.	**–9 324**	**–24 221**
4.	**Development of liquidity**			
	Cash and cash equivalents at the beginning of the period		38 174	58 599
+	Change in cash and cash equivalents		21 897	–20 424
=	**Cash and cash equivalents at the end of the period**		**60 072**	**38 174**
5.	**Composition of cash and cash equivalents[2]**	VI.1.		
	Cash		**60 072**	**38 174**
	thereof restricted cash		19 796	20 346

1 Prior-year figures were adjusted.

2 Cash and cash equivalents as of December 31, 2013 include the cash from assets classified as held for sale of €1,861k.

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2013 (in accordance with IFRSs)

I. General comments F-66

II. Basis of presentation and accounting policies F-66

1. Basis of presentation of the consolidated financial statements F-66
2. Changes in accounting policies and disclosure F-66
3. Effects of new and amended IFRSs F-66
4. Changes in accounting estimates F-68
5. Significant accounting estimates and assumptions F-69
6. Significant accounting judgments F-69
7. Significant accounting policies F-71
8. Consolidation disclosures F-76
9. Business risks and capital management F-79

III. Balance sheet disclosures F-79

1. Property, plant and equipment F-79
2. Intangible assets F-81
3. Goodwill F-82
4. Investments in associates F-83
5. Non-performing loans and receivables acquired for settlement F-84
6. Derivatives with positive and negative fair values F-85
7. Other financial assets F-86
8. Deferred tax assets and liabilities F-86
9. Trade and other receivables F-87
10. Income tax refund claims F-88
11. Cash and cash equivalents F-88
12. Disclosures on discontinued operations F-88
13. Share capital F-89
14. Capital reserves F-89
15. Hybrid capital F-89
16. Treasury shares F-89
17. Retained earnings F-89
18. Valuation reserves F-89
19. Non-controlling interests F-90
20. Conditional capital F-90
21. Authorized capital F-90
22. Liabilities to banks F-90
23. Other financial liabilities F-91
24. Provisions F-92
25. Provisions for pensions F-93
26. Trade payables and other liabilities F-96
27. Income tax provisions F-96

IV. Income statement disclosures F-96

1. Revenue F-96
2. Other operating income F-96
3. Personnel expenses and number of employees F-97
4. Depreciation, amortization and impairment expense F-98
5. Other operating expenses F-98
6. Interest and similar income F-98
7. Interest and similar expenses F-99
8. Profit/loss from investments accounted for using the equity method F-99
9. Income taxes F-99

10. Discontinued operations F-99

V. Other disclosures F-100

1. Basic/diluted earnings per share and dividends F-100
2. Additional disclosures on financial instruments F-101
3. Derecognition of assets F-103
4. Contingent liabilities F-104
5. Other financial obligations F-104
6. Auditor's fees F-104

VI. Cash flow statement disclosures F-105

VII. Events after the balance sheet date F-105

VIII. Related party relationships and Executive Board and Supervisory Board disclosures F-105

1. Related parties F-105
2. Executive Board and Supervisory Board disclosures F-106

List of shareholdings F-

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2013
(in accordance with IFRSs)

I. General comments

GFKL Financial Services Aktiengesellschaft, Essen, is the parent of the GFKL Group. The company's registered offices are at Limbecker Platz 1 in Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Carl Holding GmbH, Frankfurt am Main,—a subsidiary of Advent International Corp., Boston—is the majority shareholder with a stake of around 92.8%. GFKL is a financial services provider in the receivables management segment. Please refer to the management report for further information on operating activities.

The consolidated financial statements for fiscal year 2013 were authorized for issue by the Executive Board on April 17, 2014.

Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, have been included in full in the consolidated financial statements of GFKL. Indirect or direct control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER Wuppertal GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft and its first and second-tier subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. In addition to GFKL Financial Services Aktiengesellschaft, the holding company, the GFKL Group includes 16 fully consolidated first and second-tier subsidiaries. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. Shareholdings are generally accounted for according to the voting shares in capital.

The consolidated financial statements are generally prepared using the cost method. However, non-performing loans and receivables acquired for settlement and derivative financial instruments are measured at fair value rather than at cost.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. In the notes, the figures as of December 31, 2013 are compared with those as of December 31, 2012.

2. Changes in accounting policies and disclosure

The planned sale of the Spanish companies of the GFKL Group make it necessary to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

As they are separate major lines of business and thus discontinued operations, their current results and any gains on disposal have been presented in a separate section of the consolidated income statement.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new interpretations.

GFKL applied the following new and revised IFRSs in fiscal year 2013:

IAS 1 *Presentation of Financial Statements*

As a result of changes to IAS 1 *Presentation of Items of Other Comprehensive Income*, the items of other comprehensive income that may be reclassified to profit or loss at a later date have to be presented

separately from those items of other comprehensive income that will not be reclassified to profit or loss in the future.

IAS 19 (2011) *Employee Benefits*

Under the revised IAS 19 *Employee Benefits*, actuarial gains and losses have to be recognized directly and in full in other comprehensive income starting from January 1, 2013. The standard is applied retrospectively. As a result, equity decreased by €1.0 million as of December 31, 2012. Provisions for pensions increased by €1.5 million. Deferred tax liabilities declined by €0.5 million. Please see section II.7. (Significant accounting policies) and section III.25. (Provisions for pensions and) for more information.

The mandatory adoption in fiscal year 2013 of IFRS 7 *Financial Instruments: Disclosures—Offsetting Financial Assets and Financial Liabilities* and IFRS 13 *Fair Value Measurement* did not have any significant effect on the consolidated financial statements of GFKL other than additional disclosures in the notes.

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Effects
IFRS 7/ IFRS 9	Changes—disclosures: Temporal scope and transition provisions	Nov. 20, 2013	Jan. 1, 2013	No	No significant changes
IFRS 9	Financial Instruments: Classification and Measurement	Nov. 12, 2009/ Oct. 28, 2010	Jan. 1, 2015	No	No significant changes
IFRS 9	Financial Instruments: Hedges	Nov. 20, 2013	Jan. 1, 2013	No	Extended disclosures in the notes
IFRS 10	Consolidated Financial Statements: New provisions for full consolidation of subsidiaries	May 12, 2011	Jan. 1, 2014	Yes	No significant changes
IFRS 11	Joint Arrangements: New classification	May 12, 2011	Jan. 1, 2014	Yes	No significant changes
IFRS 12	Disclosure of Interests in Other Entities: Disclosures on consolidated and non-consolidated entities	May 12, 2011	Jan. 1, 2014	Yes	Extended disclosures in the notes
IFRS 10/ IFRS 11/ IFRS 12	Changes—transition provisions: Changes in transition guidance	Jun. 28, 2012	Jan. 1, 2014	Yes	No significant changes
IAS 19	Employee Benefits—Defined Benefit Plans: Employee contributions	Nov. 21, 2013	Jul. 1, 2014	No	No significant changes
IAS 27	Separate Financial Statements: Consequential amendments as a result of the new provisions for full consolidation under IFRS 10	May 12, 2011	Jan. 1, 2014	Yes	No significant changes
IAS 28	Investments in Associates and Joint Ventures: Consequential amendments due to the requirement to consolidate jointly controlled entities using the equity method and other changes	May 12, 2011	Jan. 1, 2014	Yes	No significant changes
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Yes	No significant changes
IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non- Financial Assets	May 29, 2013	Jan. 1, 2014	Yes	Changes to disclosures in the notes

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Effects
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	Jun. 27, 2013	Jan. 1, 2014	Yes	No significant changes
IFRS (2010 to 2012)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Jul. 1, 2014	No	No significant changes
IFRS (2011 to 2013)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Jul. 1, 2014	No	No significant changes
IFRIC 21	Levies	May 20, 2013	Jan. 1, 2014	No	None

Voluntary early adoption of the standards is not planned, except for the changes to IAS 36 *Impairment of Assets.* Early application of the revised IAS 36 does not require GFKL to present a comparison of recoverable amount and goodwill for all cash-generating units.

4. Changes in accounting estimates

Changes relate in particular to the parameters of NPL measurement, which are regularly adjusted in line with the market and the determination of expected cash flows, which were also adjusted using the same estimation techniques. For more information on the adjustment of the parameters, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.5. (Non-performing loans and receivables acquired for settlement). No changes were made in estimation techniques in the year under review.

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Non-performing loans and receivables acquired for settlement

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at €100.7 million as of the balance sheet date (prior year: €116.8 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. Since there is no active market for these assets within the meaning of IFRS 13, they were measured using an investment model, which was also used to set the purchase price. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs, risk costs, and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Goodwill impairment test

GFKL tests goodwill (€23.5 million; prior year: €35.6 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

Pension obligations

When measuring provisions for pensions (€4.6 million; prior year: €4.4 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.25. (Provisions for pensions).

6. Significant accounting judgments

Write-down of the receivable from Domusvenda S.A.

Due to differences of opinion between the joint venture partners concerning the management of the entity and the rights to information and due to differences in connection with the sale of two portfolios by Domusvenda S.A., Lisbon, Portugal, GFKL filed a number of actions before the courts in Portugal against its partner and against the general managers appointed by that partner. Moreover, the loans granted to Domusvenda and its subsidiaries for the purpose of acquiring NPL portfolios were called in.

The talks between Domusvenda and GFKL failed in mid-2011 because Domusvenda prevented the performance of the portfolio and corporate due diligence planned by GFKL.

In September 2011, Domusvenda then ceased making payments to GFKL under a payment agreement relating to a part receivable. Furthermore, GFKL received information on the economic development of Domusvenda and on significant changes in management and shareholders that prompted GFKL to file an application to open insolvency proceedings against the assets of Domusvenda S.A. in February 2012.

The above information formed the basis for a write-down on the remaining receivable to €1.3 million as of December 31, 2011. This amount reflects the liquidation value estimated by GFKL.

In addition, the carrying amount of the equity investment in Domusvenda Holding was written down to a pro memoria value of €1 as of December 31, 2011. The write-down came to €7.4 million.

In March 2013, a settlement was reached between the parties to the dispute related to the equity investment in Domusvenda S.A. The settlement included a set-off with liabilities of GFKL to Domusvenda S.A. of €1.3 million, an upfront payment of €0.4 million and other payments due at a later date of around €2.7 million. In return, GFKL relinquished its shares in and waived receivables from Domusvenda. In light of the upfront payment already received and pro rata payments totaling €0.3 million, allowances of €0.4 million were reversed in the consolidated financial statements as of December 31, 2012 and allowances totaling €0.3 million were reversed in the second to fourth quarters of 2013. The equity investment in Domusvenda S.A. was sold for its pro memoria value in connection with the settlement.

Acquisition of minority interests in Multigestión Portfolio S. L. by GFKL Financial Services AG

The remaining minority interests of 0.157% in Multigestión Portfolio S. L. held by Domusvenda S.A. were acquired by GFKL Financial Services AG in the second quarter.

Settlement reached in connection with the termination of the business relationship with a service provider

GFKL reached a settlement in the third quarter in connection with the termination of the business relationship with a service provider. Under the settlement, GFKL is required to pay an amount in the upper single-digit millions for collection fees from prior years. The amount is payable in six installments, the first of which was paid in the third quarter. The other installments are due in 2014 to 2017 and are included under liabilities.

Securitization of NPL portfolios

To diversify the financing structure, GFKL again made use of the capital market in 2013 in order to securitize non-performing loans. The objective was to establish a structure which, once successfully up and running, could be used to place further tranches in subsequent years.

NPL portfolios with a net present value totaling €25.1 million were thus securitized in the reporting period. With GFKL having acquired the junior tranche, this resulted in a net cash inflow of €18.3 million for the company in November 2013.

The plan is to use the established structure for two more securitizations in 2014. The next securitization took place in the first quarter of 2014 and the subsequent transaction is scheduled for the third quarter of 2014.

Write-down of NPL portfolios and recognition of a provision for VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG ["Umsatzsteuergesetz": German VAT Act] for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, based on the statements made by the Federal Ministry of Finance to date, the company expects that there will be a transitional arrangement for the application of the UStAE ["Umsatzsteueranwendungserlass": Decree on the Application of the German VAT Act] that is still in effect. The company recognized a provision of €16.8 million (including interest; prior year: €16.0 million) for VAT not paid in connection with purchases of exposures in the past. Offsetting income tax effects of €2.5 million are included in the income tax provision.

As the matter is still being discussed with the tax authorities, this amount may change to the benefit or detriment of the company.

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

The acquired portfolios are reported at fair value under "Non-performing loans and receivables acquired for settlement." In line with their accounting treatment, the portfolios are reported at fair value to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts and costs to which a discount factor is applied. The valuation inputs of costs and discounting are estimated depending on the classification of the portfolio. The calculated cost rates range between 12% and 48% of the expected cash receipts. Discounting is carried out using an internal rate of return (IRR) of 8% to 40%.

The initial discount factor changes over the term of the portfolios due to changes in interest rates on the capital market (risk-free interest rate) and changes to the risk premiums. The risk cost model used for this purpose reflects capital market changes in the amount of the risk premium for investments in the NPL asset class. Changes to discounting lead to additional income or expenses from the portfolios due to changes in market interest rates and risk costs.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue, whereas the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. The main assets in the Group falling into this category are non-performing loans and receivables acquired for settlement because the Group manages these assets and measures their performance on the basis of fair value. For further information, please refer to "Accounting treatment of acquired portfolios" (section II.7.a). Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss. They are used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at cost and subsequently measured at amortized cost. The following balance sheet items fall into this category: “Other financial assets,” to the extent that they do not relate to interests without significant influence, “Trade and other receivables” and “Cash and cash equivalents.”

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. GFKL recognizes interests in entities over which it has no significant influence in this category. The interests are recognized in the balance sheet under “Other financial assets.”

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as “at fair value through profit or loss” on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: “Liabilities to banks,” “Other financial liabilities,” and “Trade payables and other liabilities.”

c) Other significant accounting policies

Assets classified as held for sale and liabilities classified as held for sale

Non-current assets classified as held for sale, together with assets in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets. Please refer to section III.12. (Assets classified as held for sale and liabilities classified as held for sale) for further information.

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Investments in associates

Investments in associates are accounted for using the equity method. An associate is an entity over which the Group exercises significant influence, but that is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is recognized in the balance sheet at cost plus any change in the Group’s share in the entity’s net assets that occurs after the acquisition of the investment. Any goodwill related to the associate is included in the carrying amount of the investment. This goodwill is not amortized. When applying the equity method, the Group carries out a test to establish whether the recognition of an additional impairment loss is required in respect of the Group’s net investment in the associate. The income statement includes the Group’s share of the associate’s profit or loss.

The GFKL Group does not have any associates as of the balance sheet date.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group’s share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 10 years; vehicles, 5 years; and other office furniture and equipment, 2 to 15 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH and Zyklop Inkasso Deutschland GmbH. A control and profit and loss transfer agreement was concluded in 2012 with GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, which was acquired in 2012. This entity is therefore included in the consolidated tax group for income tax purposes for the first time in fiscal year 2013.

As of December 31, 2013, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, SBL Mobilien GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH, GFKL Collections GmbH (formerly SNT Inkasso & Forderungsmanagement GmbH).

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions

GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits*. The most important change to IAS 19 is that experience adjustments and effects of changes in actuarial assumptions, i.e., actuarial gains and losses, now have to be recognized directly in other comprehensive income. The previous option to either recognize immediately in profit or loss, in other comprehensive income or to defer recognition using the corridor method was abolished. GFKL has used the corridor method to date. As a result of the abolition of the corridor method under the revised IAS 19, the Group's actuarial losses directly impact the consolidated balance sheet, leading to an increase in provisions for pensions and a decrease in equity. As the actuarial losses are recognized directly in other comprehensive income, the consolidated income statement will no longer be affected by the amortization of the amount exceeding the corridor. In addition, the net interest concept has been introduced. This means that the discount rate used to measure the gross benefit liability is applied to the net benefit liability. As the net benefit liability is net of any plan assets, this calculation assumes a return on plan assets equal to the discount rate. The changes to IAS 19 are mandatory for fiscal years beginning on or after January 1, 2013 and are to be applied retrospectively. GFKL adjusted the prior-year figures to reflect the effects of the changes to IAS 19. It made use of the exemption set out in IAS 19 not to provide any comparative information for the prior year for the sensitivity disclosures that are required for the first time.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL issued a cash settlement offer as part of the merger with ABIT AG in 2006. For the recognition of these shares, it is irrelevant as to whether they have already been tendered to GFKL. For those shares not yet tendered, a liability has been recognized under other financial liabilities. Proceedings are pending with regard to the settlement amount.

Cash flow and fair value hedges

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognized asset or a recognized liability and to hedging the risk of variability in cash flows.

In the case of designated fair value hedges, both the changes in value of the asset or liability as well as the change in the hedging instrument due to changes in market interest rates are recognized in profit or loss.

The accounting treatment of cash flow hedges depends on whether or not a hedging instrument can be allocated to a hedged item.

In the first case, the effective portion of the gain or loss net of deferred taxes is recognized directly in other comprehensive income; the ineffective portion is recognized in profit or loss. If the forecast transaction is no longer expected to occur, any related amounts previously recognized directly in other comprehensive income are reversed and recognized in profit or loss. In the second case, the entire amount of the change in value, both of the hedged item and the hedging instrument, is recognized in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss provided that they do not involve a net investment in a foreign operation and provided that they are not recognized directly in other comprehensive income under hedge accounting arrangements. Any deferred taxes arising in connection with these exchange differences are also recognized directly in equity. Non-monetary items measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rate prevailing on the date the fair value was determined.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income in respect of non-performing loans and receivables acquired for settlement is reported under revenue. This revenue relates to changes in fair values, arising primarily from the income from the investment in the receivable and any income derived from ongoing servicing.

Revenue in respect of unbilled services in the sold software segment is recognized in accordance with IAS 11 using the percentage of completion method. The percentage of completion used to determine the partial revenue for such projects is calculated by comparing the services performed as of the balance sheet date against the estimated total services to be performed in the project.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has not changed compared to December 31, 2012.

SNT Inkasso & Forderungsmanagement GmbH changed its name to GFKL Collections GmbH with effect from November 6, 2013.

As of April 2, 2012, GENEVA-ID GmbH and has program service GmbH were sold. Sales proceeds from the sale of companies amounted to €850k in the reporting period.

The significant assets and liabilities of the entities sold in the first half of 2012 break down as follows:

in €k	Deconsolidated assets and liabilities
Other receivables and assets	2 496
Cash and cash equivalents	383
Subtotal	**2 878**
Other liabilities	5 871
Provisions	598
Deferred tax liabilities	624
Net assets	**–4 214**
Cash inflow from the disposal of companies:	
Cash deconsolidated with the subsidiary	–383
Cash inflow due to the disposal	25 450
Cash flow (balance)	**25 067**

The balance of cash inflows and outflows from disposals of companies consists of the cash and cash equivalents received until December 31, 2012 net of the cash and cash equivalents held by the sold companies on the disposal date.

In addition, the cash inflow due to disposals includes €24.6 million in purchase price payments from the sale of Universal Leasing GmbH in 2011. In June 2012, GFKL's purchase price receivable from ADA Financial Services Verwaltungsgesellschaft mbH from the sale of Universal Leasing GmbH was sold to Carl Holding GmbH at its carrying amount, which was €36.4 million. €24.6 million of the sale price was paid in cash and €11.8 million was offset against a shareholder loan from Carl Holding GmbH.

Moreover, GFKL sold its equity investments in the associates HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH and VR Inkasso Leasing & Consulting GmbH in the fourth quarter of 2012.

The basis of consolidation also changed as a result of the acquisition of all shares in GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, on June 28, 2012. This entity is a debt collection agency specialized in receivables management for telecommunications providers and has its registered office in Potsdam. The acquisition strengthens the Group's market position within the telecommunications industry.

The assets acquired and liabilities assumed from GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, break down as follows:

Assets acquired and liabilities assumed

in €k	Acquisition-date fair value
Assets	
Property, plant and equipment	19
Intangible assets	10 779
Non-performing loans and receivables acquired for settlement	15 146
Receivables	3 535
Cash and cash equivalents	1 102
	30 581
Liabilities	
Non-current financial liabilities	4 794
Deferred tax liabilities	4 417
Other liabilities	1 243
	10 454
Total identifiable net assets at fair value	**20 127**
Goodwill arising on acquisition	4 254
Total consideration	**24 381**

The fair value of the receivables was €3,535k. The gross amount of the receivables was €3,681k.

In the first half of 2012, the consolidated financial statements do not include any proceeds or profits or losses of the subsidiary (date of first-time consolidation is June 28, 2012). No information is provided on proceeds or profits or losses from January 1, 2012 because financial statements for GFKL Collections GmbH have only been prepared in accordance with GFKL's accounting policies since GFKL obtained control of the entity.

In the second half of 2012, consolidated profit/loss for the period includes revenue of GFKL Collections GmbH of €4.0 million and earnings of –€1.1 million.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Carl Holding GmbH are managed in the same way as equity. The loans amounted to €53.9 million as of December 31, 2013.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

GFKL does not make use of preferred shares.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2013	10 734	0
Reclassification to non-current assets classified as held for sale	2 061	0
Additions	996	206
Reclassifications	206	-206
Disposals	612	0
Balance as of December 31, 2013	**9 263**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2013	8 139	0
Reclassification to non-current assets classified as held for sale	1 814	0

in €k	Other office furniture and equipment	Advance payments made
Additions	932	0
Write-down due to impairment test	179	0
Disposals	527	0
Balance as of December 31, 2013	**6 909**	**0**
Residual carrying amounts as of December 31, 2013	**2 354**	**0**

In the prior year, changes were as follows:

in €k	Other office furniture and equipment
Cost	
Balance as of January 1, 2012	10 184
Additions from business combinations	19
Additions	779
Disposals	248
Balance as of December 31, 2012	**10 734**
Accumulated depreciation and impairment losses	
Balance as of January 1, 2012	7 319
Additions	1 059
Disposals	239
Balance as of December 31, 2012	**8 139**
Residual carrying amounts as of December 31, 2012	**2 595**

Office furniture and equipment was acquired at a cost of €328k in the current fiscal year in connection with a project to install an emergency computer center in Essen. In addition, the move to the new service center in Gelsenkirchen necessitated the purchase of new office furniture and equipment. The related cost was €286k.

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 2 to 13 years for other office furniture and equipment.

Due to the planned move of the Essen location to a new building complex in the coming year, impairment losses of €179k (prior year: €0k) were recognized on other office equipment and furniture.

Please refer to section III.12. (Disclosures on discontinued operations) with respect to the “Reclassifications to non-current assets classified as held for sale.”

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2013	19 207	3 984	14 569	85
Reclassification to non-current assets classified as held for sale	697	0	3 250	0
Additions	131	0	0	826
Reclassifications	758	0	0	–758
Disposals	489	0	0	0
Balance as of December 31, 2013	**18 910**	**3 984**	**11 319**	**153**
Accumulated amortization and impairment losses				
Balance as of January 1, 2013	11 642	3 984	3 144	0
Reclassification to non-current assets classified as held for sale	578	0	2 514	0
Additions	1 450	0	1 561	0
Disposals	479	0	0	0

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Balance as of December 31, 2013	**12 035**	**3 984**	**2 192**	**0**
Residual carrying amounts as of December 31, 2013	**6 875**	**0**	**9 127**	**153**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2012	16 877	3 984	3 250	1 063
Additions from business combinations	60	0	10 719	0
Additions	845	0	600	647
Reclassifications	1 540	0	0	–1 540
Disposals	115	0	0	85
Balance as of December 31, 2012	**19 207**	**3 984**	**14 569**	**85**
Accumulated amortization and impairment losses				
Balance as of January 1, 2012	9 140	3 984	2 198	0
Additions	2 458	0	947	0
Write-up	62	0	0	0
Disposals	18	0	0	0
Balance as of December 31, 2012	**11 642**	**3 984**	**3 145**	**0**
Residual carrying amounts as of December 31, 2012	**7 565**	**0**	**11 424**	**85**

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 10 years.

The useful life of the software licenses recognized as assets in the third quarter of fiscal year 2011 in the context of the reorganization of finance processes was re-assessed and increased from 5 to 10 years starting from January 1, 2013. This adjustment of the useful life by 5 years leads to a reduction of amortization by €921k in fiscal year 2013 compared to the originally estimated 5-year useful life.

The "Reclassifications to non-current assets classified as held for sale" relate to customer relationships of the Multigestión Group recognized as assets in the context of the purchase price allocation. Please see section III.12. (Disclosures on discontinued operations) for more information. The customer relationships allocated to GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, upon its acquisition in 2012 are being amortized over a useful life of 8.5 years. Apart from goodwill, there are no intangible assets with indefinite useful lives.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2012	35 585
Acquisition of subsidiaries	4 253
Balance as of December 31, 2012	**39 838**
Reclassification to non-current assets classified as held for sale	15 586
Balance as of December 31, 2013	**24 252**
Write-downs and impairment losses	
Balance as of January 1, 2012	729
Impairment losses	3 481

in €k	Goodwill
Balance as of December 31, 2012	**4 210**
Reclassification to non-current assets classified as held for sale	3 481
Balance as of December 31, 2013	**729**
Carrying amounts as of December 31, 2012	**35 628**
Carrying amounts as of December 31, 2013	**23 523**

in €k	Dec. 31, 2013	Dec. 31, 2012
Zyklop Inkasso Deutschland	12 542	12 542
GFKL Collections[1]	4 253	4 253
Domnowski Inkasso	3 410	3 410
Proceed Collection Services	3 318	3 318
Multigestión Group	0	12 105
Total	**23 523**	**35 628**

1 Trading as SNT Inkasso & Forderungsmanagement GmbH until November 5, 2013

Please refer to section III.12. (Disclosures on discontinued operations) with respect to the “Reclassifications to non-current assets classified as held for sale” and the development of the goodwill of the Multigestión Group.

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2013 for those cash-generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 13.8% (prior year: 12.7%) for the receivables management segment in Germany. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company’s financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of €37.4 million (prior year: €56.5 million), whereas the corresponding recoverable amount was €46.7 million (prior year: €114.8 million).

Domnowski Inkasso GmbH had a recoverable amount of €3,735k compared with a carrying amount of €3,696k. Negative developments in financial planning or the discount rate would lead to a reduction in goodwill.

Given the planned disposal of the Spanish companies, the fair value less costs of disposal was used for the impairment test as of December 31, 2013. The value was determined on the basis of available purchase offers (Level 2 inputs).

The key value driver for cash flow planning is a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. The Executive Board sees particular revenue potential for receivables management services as a result of new regulatory requirements in the banking and insurance sectors as well as in the growth industries of telecommunications and energy supply, increasing outsourcing efforts on the part of customers and significant expansion of e-commerce. The basis for reducing relative costs has been established by concentrating on the core business of receivables management, setting up central services, implementing a new IT environment and adjusting and streamlining operational processes.

In fiscal year 2012, the Group’s share in the goodwill of the Spanish subsidiary Corfisa S.A.U. was written down by €3.5 million on the basis of considerations regarding the strategic realignment of GFKL in Spain. Goodwill had to be allocated to Corfisa S.A.U. in order to calculate the amount of this impairment loss. The

allocation was made on the basis of the relative fair values of the Spanish companies. In fiscal year 2013, the entire amount of the remaining goodwill of €12.1 million was written off. These impairment losses are presented under discontinued operations.

4. Investments in associates

Investments in associates comprise the shareholdings in HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH (HFI) and VR Inkasso Leasing & Consulting GmbH (VRI), the shareholding in both cases being 48%. GFKL sold these investments in the fourth quarter of 2012.

5. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	Dec. 31, 2013	Dec. 31, 2012
Secured, terminated loans	3 860	8 026
Unsecured, terminated loans	31 020	33 410
Unsecured, overdue other receivables	65 812	75 335
Total	**100 692**	**116 771**

For 2013, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	41 011	51 455	8 226	100 692

For the prior year, residual maturities were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	45 874	60 773	10 124	116 771

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	2013	2012
Opening balance	116 771	121 493
Reclassification to assets classified as held for sale	4 103	0
Acquisitions	26 064	31 632
Disposals	6 030	1 952
Subtotal	**132 702**	**151 173**
Payment receipts	85 884	84 667
Investment income	13 434	14 596
Service income	32 968	31 863
Repayment	**39 481**	**38 207**
Write-ups	26 343	15 689
Impairment expense	–18 872	–11 883
Measurement at fair value	**7 471**	**3 806**
Closing balance	**100 692**	**116 771**

In the current fiscal year, GFKL generated income of €53.9 million (prior year: €50.3 million) from the non-performing loans and receivables acquired for settlement.

The disposals are attributable to the return of receivables that did not meet the contractually agreed requirements or to the sale of secured portfolios.

Measurement at fair value is set out in detail below:

in €k	2013	2012
Additional amounts collected	10 048	6 215
Plan adjustments	14 036	7 234
Changes in market interest rates	2 259	2 240
Write-ups	**26 343**	**15 689**
Shortfall in amounts collected	–2 615	–4 476
Plan adjustments	–11 902	–6 285
Risk adjustments	0	–26
Service cost adjustments	–220	–127
Changes in market interest rates	–4 136	–970
Impairment expense	**–18 872**	**–11 883**
Total changes in value	**7 471**	**3 806**

The items "Additional amounts collected" and "Shortfall in amounts collected" show deviations between actual payment receipts and planned payment receipts. For changes made in relation to future expected payment receipts, the adjustments are reported under "Plan adjustments." Plan adjustments in fiscal year 2013 amounted to €2,134k (prior year: €949k).

The "Risk adjustments" and "Changes in market interest rates" items relate to changes in value attributable to interest rates. Unrealized gains and losses relate to changes from plan and risk adjustments and changes in market interest rates.

Scenario calculations simulate the effects of changes in the input factors used to determine the fair value of the NPL portfolio investments. There are four input factors, the sensitivity of which is shown in the table below. If there is a shift in the term structure of interest rates, an interest rate of less than zero is not taken into account.

Please refer to section II.6. (Significant accounting judgments).

Input factor	Change	Simulated change in value
Cash flow	+/– 10%	+/– € 9.73 million
Cost rate	+/– 5%	–/+ € 7.80 million
Risk premium rate	+ 1%	– € 1.95 million
Risk premium rate	– 1%	+ € 2.02 million
Term structure	+ 1%	– € 2.30 million
Term structure	– 1%	+ € 1.94 million

Changes in value due to changes in the term structure are partly hedged by interest rate derivatives.

6. Derivatives with positive and negative fair values

As of the balance sheet date, interest rate swaps with a total negative fair value of €2.0 million (prior year: €3.4 million) were held; there were still no interest rate swaps with positive fair values. The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates. These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

In the prior year, GFKL held interest rate swaps with a negative fair value of €0.1 million (prior year: €0.6 million). Until June 28, 2012, these swaps served to hedge the interest payments on borrowings with a floating rate of interest. They were designated as cash flow hedges. Changes in value were recognized directly in other comprehensive income. They ceased to be designated as hedges on June 29, 2012 due to the refinancing. Since this date, all changes in value have been recognized in profit or loss. The item previously recognized in other comprehensive income is being released to profit or loss over the residual maturity of the swaps.

The residual maturity was determined on the basis of the expected cash inflows and outflows over the residual maturities of the derivatives.

7. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Cash reserve	0	1 044
Miscellaneous non-current financial assets	78	1 530
Total other non-current financial assets	**78**	**2 574**
Receivables from bill discounting and factoring	0	15 408
Cash reserve	39	1 716
Miscellaneous financial assets	12 593	4 463
Total other current financial assets	**12 632**	**21 588**
Total	**12 710**	**24 162**

The “Cash reserve” item relates in particular to receivables from special purpose entities from the securitization of NPL portfolios.

The decrease in current assets is largely attributable to the bill discounting business in Spain, which was almost fully wound up as of September 30, 2013 and is no longer part of the core business activities of GFKL. Against this background, all the refinancing facilities were also repaid. The assets still existing as of September 30, 2013 were reclassified to “Assets classified as held for sale” in accordance with IFRS 5 from this date.

The miscellaneous financial assets are current assets and mainly relate to guarantees granted under a service agreement as well as advance payments made for the ongoing collections related to the securitization of portfolios.

8. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of €12.2 million (prior year: €15.2 million) were then recognized. The losses relate to GFKL AG. No losses from the period prior to the change in shareholders in December 2009 were recognized as assets.

The deferred tax liabilities are chiefly due to the valuation of NPL portfolios.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2013	Dec. 31, 2012
NPL measurement	–17 286	–18 138
Derivatives	653	1 192
Intangible assets	–2 812	–3 200
Provisions	1 200	1 274
Trade receivables/payables	1 794	685
Elimination of intercompany balances	–1 244	–1 427
Loss carryforwards	12 174	15 206
Other	428	115
Balance of deferred taxes	**–5 093**	**–4 293**

The table below shows the changes in deferred taxes:

in €k	2013	2012
Deferred tax assets	516	530
Deferred tax liabilities	–4 809	–5 197

in €k	2013	2012
Opening balance	**–4 293**	**–4 667**
Reclassification to assets classified as held for sale and liabilities classified as held for sale	–516	0
Change in equity	–67	67
Addition from business acquisitions	0	–4 417
Change arising from current results	–217	4 724
Change in the period	**–800**	**374**
Deferred tax assets	0	516
Deferred tax liabilities	–5 093	–4 809
Closing balance	**–5 093**	**–4 293**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

9. Trade and other receivables

The item mainly relates to receivables from customers for services.

in €k	Dec. 31, 2013	Dec. 31, 2012
Expenses from the collection process	2 348	2 231
Refund claims from other taxes	2 454	1 595
Prepaid expenses and other items	1 300	1 306
Trade receivables	6 283	13 550
Specific valuation allowances on receivables	–2 250	–5 191
Total	**10 136**	**13 490**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. The decrease in trade receivables is due in particular to the application of IFRS 5 in relation to the Spanish companies. The change in valuation allowances is chiefly attributable to the use of the allowance of €2.6 million recognized for a dispute in the prior year.

10. Income tax refund claims

The year-on-year change is due to the income tax refund claims relating to consolidated tax groups retrospectively recognized for past years.

11. Cash and cash equivalents

Of the cash and cash equivalents of €60.1 million (prior year: €38.2 million), €1.9 million was reclassified to discontinued operations. Cash and cash equivalents primarily comprise credit balances on current accounts and short-term deposits. The balance (> 5 million) on the cash pool master account bears interest on the basis of EONIA. This account had a balance of €21.4 million as of the balance sheet date. Balances on other accounts do not bear interest. Of these cash and cash equivalents, €19.5 million (prior year: €20.3 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts in receivables management.

As of the balance sheet date, the Group had made full use of its credit lines, as in the prior year. All the preconditions for the drawdown of funds were satisfied at all times.

12. Disclosures on discontinued operations

Assets and liabilities related to discontinued operations are recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” and comprise the assets and liabilities of the Spanish operations held for sale as of December 31, 2013. This segment comprises the following entities held for sale: Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

The following table shows the breakdown of assets classified as held for sale:

in €k	Dec. 31, 2013
Property, plant and equipment	221
Intangible assets	806
Non-performing loans and receivables acquired for settlement	3 911
Trade and other receivables	2 734
Other financial assets	417
Deferred tax assets	1 483
Cash and cash equivalents	1 861
Assets classified as held for sale	**11 433**

Liabilities classified as held for sale break down as follows:

in €k	Dec. 31, 2013
Liabilities to banks	13
Other provisions	238
Deferred tax liabilities	380
Trade payables and other liabilities	1 415
Other financial liabilities	2 604
Liabilities classified as held for sale	**4 650**

Please refer to section IV.10. for more information on discontinued operations.

13. Share capital

As of the balance sheet date, share capital amounted to €25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

14. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions.

The changes in capital reserves can be seen in the consolidated statement of changes in equity attached as an exhibit to these notes.

15. Hybrid capital

GFKL was granted another shareholder loan of €30 million by its majority shareholder on June 28, 2012. The loan has an unlimited term and may be terminated by GFKL for the first time as of December 30, 2015, giving 30 days' notice. The loan accrues interest at 8% p.a. and is reported as equity due to the terms of the loan agreement.

16. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesellschaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of €13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktiengesellschaft on August 16, 2006. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft had repurchased a total of 915,934 shares, which corresponds to a share of €915,934 (3.54%) of the share capital. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft held these shares as treasury shares. The shareholder meeting held on August 15, 2012 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG ["Aktiengesetz": German Stock Corporation Act].

Those shares not yet tendered are also disclosed under “Treasury shares” as a result of the cash settlement offer. This disclosure is accompanied by the recognition of the as yet untendered shares as debt (synthetic liability).

17. Retained earnings

Retained earnings relate to the statutory reserve of €38k (prior year: €38k), the profit participation capital of €26k (prior year: €26k) and the retained earnings of €33k (prior year: €0k) created by the acquisition of the minority interests in Multigestión Portfolio S.L.

18. Valuation reserves

Valuation reserve for financial instruments

In accounting for the designated interest rate derivatives, the relevant fair values net of income taxes were recognized directly in other comprehensive income. As a result of the reclassification of derivatives in November 2007, the fair values recognized in other comprehensive income at this time were reversed on a straight-line basis over the residual maturity of the hedged item. The fair values of non-designated interest rate derivatives were recognized in profit or loss. GFKL also held interest rate swaps with a negative fair value of €0.1 million. Until June 28, 2012, these swaps served to hedge the interest payments on borrowings with a floating rate of interest. They were designated as cash flow hedges.

Changes in value were recognized directly in other comprehensive income. They ceased to be designated as hedges on June 29, 2012 due to the refinancing. Since this date, all changes in value have been recognized in profit or loss. The item previously recognized in other comprehensive income was released to profit or loss over the residual maturity of the swaps. The consolidated profit/loss for the period included €542k (prior year: €666k) from the reversal of the valuation reserve.

Valuation reserve for actuarial gains and losses

For more information on the valuation reserve for actuarial gains and losses, please see section III.25. “Provisions for pensions.”

19. Non-controlling interests

Non-controlling interests relate to the minority interests in Universal Lease Iberia Properties S.L. The remaining minority interests of 0.157% in Multigestión Portfolio S. L. held by Domusvenda S.A. were acquired by GFKL Financial Services AG in the second quarter of 2013.

20. Conditional capital

The company had no conditional capital at its disposal as of the balance sheet date.

21. Authorized capital

The shareholder meeting held on July 14, 2010 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company by issuing up to 12,941,895 no-par value bearer shares for cash and/or non-cash contributions on one or more occasions up to July 13, 2015, subject to maximum total increase of €12,941,895.00. Existing shareholders are to be granted subscription rights. However, subject to the consent of the Supervisory Board, the Executive Board was authorized to exclude fractional amounts from the shareholders’ subscription rights. The Executive Board is also authorized, subject to the consent of the Supervisory Board, to exclude these subscription rights if the capital increase is performed in return for non-cash contributions, in particular during the acquisition of entities, parts of entities, investments in entities or other assets including rights and receivables or as part of a business combination.

22. Liabilities to banks

The following table sets out the principal non-current and current liabilities to banks:

in €k

Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2013	Dec. 31, 2012
Bayerische Landesbank	Syndicated credit facility	Jun. 30, 2015	1M EURIBOR	100 008	108 223
Various.................................	Loan	Various	Various	0	43
Total non-current liabilities to banks				**100 008**	**108 266**

Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2013	Dec. 31, 2012
in €k					
Bayerische Landesbank	Syndicated credit facility	Jun. 30, 2015	1M EURIBOR	10 042	5 000
Various.................................	Current account facility	Various	Various	0	9 037
Total current liabilities to banks				**10 042**	**14 037**

The arrangement fees that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees are added back to the loan over its term, with the expense recognized in profit or loss.

GFKL's liabilities to banks are secured by senior notarized pledges of shares/limited partnership interests in the following entities:

- Domnowski Inkasso GmbH, Essen
- Inkasso Becker Wuppertal GmbH & Co.KG, Wuppertal (including pledge of the shares in the general partner GmbH)
- Proceed Collection Services GmbH, Essen
- Proceed Portfolio Services GmbH, Essen
- Sirius Inkasso GmbH, Düsseldorf
- Zyklop Inkasso Deutschland GmbH, Krefeld
- GFKL Collections GmbH (formerly SNT Inkasso & Forderungsmanagement GmbH), Potsdam

Moreover, the liabilities to banks are secured by the cash pool accounts at DZ Bank.

23. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Liabilities arising from NPL portfolios	5 656	5 208
Liabilities to affiliates..	20 055	19 465
Pass-through obligations arising from portfolio management......................................	1 861	7 907
Other..	3 205	82
Total non-current...	**30 777**	**32 661**
Liabilities arising from NPL portfolios	9 851	5 431
Pass-through obligations arising from portfolio management......................................	12 411	11 561
Employee-related liabilities..	2 746	2 458
Liabilities arising from the cash settlement offer	7 104	6 864
Deferred income and other items	9 343	6 748
Total current...	**41 456**	**33 061**
Total	**72 233**	**65 722**

The item liabilities arising from NPL portfolios relates to sold but not derecognized NPL exposures.

The non-current liabilities to affiliates relate to a loan from Carl Holding GmbH.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers. For the most part, the decrease in non-current pass-through obligations is attributable to the purchase by GFKL of the receivables contained in a service agreement. The customer waived settlement of the deferred pass-through obligations in return for immediate payment of the purchase price for the acquisition of the receivables.

GFKL reached a settlement in the third quarter of 2013 in connection with the termination of the business relationship with a service provider. Under the settlement, GFKL is required to pay an amount in the upper single-digit millions for collection fees from prior years. The amount is payable in six installments, the first of

which was paid in the third quarter of 2013. The other installments are due in 2014 to 2017. This settlement is responsible in particular for the increase in other non-current and current liabilities.

The following table shows the principal liabilities of the Group as of December 31, 2013, by maturity:

in €k	Less than 1 year	Residual maturity 1 to 5 years	More than 5 years	Total
Liabilities to banks	10 042	100 008	0	110 050
Other financial liabilities	41 456	30 777	0	72 233
Trade payables and other liabilities	8 509	0	0	8 509
Total	**60 007**	**130 785**	**0**	**190 791**

24. Provisions

The item "Other taxes" mainly relates to provisions for VAT backpayments. By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, based on the statements made by the Federal Ministry of Finance to date, the company expects that there will be a transitional arrangement for the application of the UStAE that is still in effect. The company recognized a provision of €16.8 million (including interest; prior year: €16.0 million) for VAT not paid in connection with purchases of exposures in the past.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions are mainly attributable to GFKL Financial Services Aktiengesellschaft. They were recognized partly for possible purchase price adjustments as a result of tax guarantees for sold subsidiaries. As they were no longer expected to be used, provisions of €503k were reversed in the reporting year.

The provisions for restructuring of €3.1 million were recognized as of December 31, 2012 for the centralization of the companies' file archives in 2013 and for the severance of employees and Executive Board members. €0.8 million of the provision recognized was used in the reporting year. Certain negative expectations did not materialize in the fiscal year, such that €1.0 million was reversed.

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 10 years. The changes in other provisions over the fiscal year are shown in the following table. The increase in the discounted amount during the year under review to reflect the passage of time and changes in the discount rate did not have any material impact in the reporting period.

The "Other" item mainly comprises an allocation of €555k for consulting services for the planned sale of the Multigestión Group and for VAT still payable of €265k. The utilization line mainly shows the use of the provision for an onerous contract (€931k). €1,104k of this provision was reversed to profit or loss.

The provisions of the Multigestión Group that were reclassified to discontinued operations due to the application of IFRS 5 are presented under "Reclassification to non-current assets classified as held for sale."

in €k	Other taxes	Tax audit interest	Warranties	Restructuring	Archiving	Other	Total
Opening balance	16 259	837	1 323	3 148	585	6 215	28 367
Reclassification	–1 279	1 400	0	0	0	–121	0
Allocation	265	1 913	35	175	264	941	3 594
Utilization	58	198	0	831	0	1 652	2 738
Reversal	0	0	503	973	243	2 161	3 880
Reclassification to non-current assets classified as held for	0	0	0	0	0	217	217

in €k	Other taxes	Tax audit interest	Warranties	Restructuring	Archiving	Other	Total
sale							
Closing balance	**15 187**	**3 953**	**855**	**1 519**	**606**	**3 006**	**25 125**
Current	15 187	3 953	855	1 519	71	2 522	24 107
Non-current	0	0	0	0	535	483	1 019
Closing balance	**15 187**	**3 953**	**855**	**1 519**	**606**	**3 006**	**25 125**

25. Provisions for pensions

GFKL has defined benefit pension obligations. Pension obligations benefits were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 3.13% and 3.7% (prior year: 3.0% and 3.9%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.67-74. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated in a range from 1.5% to 2.5% (prior year: 1.5% to 2.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 2.0% (prior year: 0.0% to 1.5%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005G Heubeck mortality tables. In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits.* The most important change to IAS 19 is that experience adjustments and effects of changes in actuarial assumptions, i.e., actuarial gains and losses, now have to be recognized directly in other comprehensive income. The previous option to either recognize immediately in profit or loss, in other comprehensive income or to defer recognition using the corridor method was abolished. GFKL has used the corridor method to date. As a result of the abolition of the corridor method under the revised IAS 19, the Group's actuarial losses directly impact the consolidated balance sheet, leading to an increase in provisions for pensions and a decrease in equity. As the actuarial losses are recognized directly in other comprehensive income, the consolidated income statement will no longer be affected by the amortization of the amount exceeding the corridor. In addition, the net interest concept has been introduced. This means that the discount rate used to measure the gross benefit liability is applied to the net benefit liability. As the net benefit liability is net of any plan assets, this calculation assumes a return on plan assets equal to the discount rate. The changes to IAS 19 are mandatory for fiscal years beginning on or after January 1, 2013 and are to be applied retrospectively. GFKL adjusted the prior-year figures to reflect the effects of the changes to IAS 19.

The amendments to IAS 19 *Employee Benefits* issued by the IASB in June 2011 had the following effects on the balance sheet of GFKL as of January 1, 2012 and December 31, 2012:

	Jan. 1, 2012			Dec. 31, 2012		
in €k	Before adjustment	Adjustment	After adjustment	Before adjustment	Adjustment	After adjustment
Total equity	–14 988	381	–14 607	–8 027	–1 007	–9 034
Total provisions for pensions	3 061	–558	2 503	2 871	1 516	4 386
Total deferred tax liabilities	5 197	177	5 374	5 318	–509	4 809

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. The former general manager of SBL Mobilien GmbH has already retired and draws 75% of his most recent monthly fixed remuneration. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The net liability is calculated as follows:

in €k	2013	2012	2011
Present value of unfunded defined benefit obligation	7 600	7 230	5 093
Plan assets	–3 036	–2 843	–2 466
Net liability	**4 564**	**4 386**	**2 627**

The following table shows the changes in the defined benefit obligation:

in €k	2013	2012
Opening balance of defined benefit obligation	**7 230**	**5 093**
Interest expense	253	242
Pension payments	–151	–75
Current service cost	66	151
Actuarial losses	202	1 819
Closing balance of defined benefit obligation	**7 600**	**7 230**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2013	2012
Opening balance of plan assets	**2 843**	**2 466**
Return/income	107	96
Actuarial gains/losses (-)	–188	–213
Contributions	141	228
Balance-dependent reclassification	132	266
Closing balance of plan assets	**3 036**	**2 843**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €111k (prior year: €228k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2013	2012
Opening balance	**4 386**	**2 627**
Payments arising from pension obligations	–151	0
Allocation to defined benefit obligation	211	70
Allocation to plan assets	–141	–387
Actuarial gains (-)/losses	390	2 033
Balance-dependent reclassification	–132	43
Closing balance	**4 564**	**4 386**

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.3. (Personnel expenses and number of employees).

A quantitative sensitivity analysis of the key assumptions as of December 31, 2013 is as shown below:

in €k	Dec. 31, 2013
Interest rate	
Increase 0.50%	–646
Decrease 0.50%	710
Salary trend	
Increase 0.50%	91
Decrease 0.50%	–86

in €k	Dec. 31, 2013
Benefit trend	
Increase 1%	1 181
Decrease 1%	–1 020

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realized changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

in €k	Dec. 31, 2013
Within the next 12 months (next fiscal year)	153
Between 2 and 5 years	940
Between 5 and 10 years	1 671
More than 10 years	16 368
Total expected payments	**19 132**

The average duration of the defined benefit obligation at the end of the reporting period is 20 years.

26. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2013	Dec. 31, 2012
Liabilities from other taxes	1 700	3 489
Trade payables	2 735	4 441
Advance payments received	2 854	3 167
Deferred income and other items	1 219	1 719
Total	**8 509**	**12 816**

27. Income tax provisions

The income tax provisions largely relate to provisions for corporate income tax and solidarity surcharge totaling €4.8 million (prior year: €4.7 million), trade tax of €5.4 million (prior year: €4.7 million) and provisions for the tax audit of €4.0 million (prior year: €9.0 million). The decrease in the amount for the tax audit is due to the retrospective recognition of the consolidated tax groups for prior years.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Fees from the collection process	94 487	76 605
Cost refunds from the collection process	34 527	28 978
Revenue from acquired portfolios	61 365	51 324
Other	17	70
Total	**190 396**	**156 976**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired

for settlement. GFKL bears the entire risk of holding these portfolios. The recognized revenue reflects the change in the fair value of the recognized assets. The underlying measurement model is based on standard market terms and conditions.

For details of the revenue attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

2. Other operating income

In connection with new refinancing arranged at the end of June 2012, a bank loan with a carrying amount of €15.0 million was redeemed in return for payment of €10.5 million. The amount of €4.5 million in excess of the redemption payment was recognized as other operating income.

In addition, other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences. The increase in other income is due in particular to subsequent purchase price adjustments in connection with the sale of a former subsidiary.

For details of the other operating income attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

Other operating income breaks down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Reversal of provisions and accrued liabilities	4 070	1 271
Purchase price adjustments	3 804	0
Income from the reversal of valuation allowances on receivables	936	1 190
Income from exchange differences	4	1
Income from the disposal of non-current assets	15	0
Other income	2 239	6 555
Total	**11 069**	**9 017**

3. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	Dec. 31, 2013	Dec. 31, 2012
Receivables management	709	728
Holding company	113	128
Continuing operations	**822**	**856**
Discontinued operations	196	220
Employees	**1 018**	**1 076**
thereof employees in Germany	*822*	*856*
Average number of employees	**1 033**	**1 089**

The average number of employees is determined on the basis of a monthly analysis. The employees in discontinued operations are those of the Spanish companies Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

Long-service bonus commitments have been made to some of the employees in the GFKL Group. The provision (€317k; prior year: €298k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

For information on the severance of employees and Executive Board members, please see section III.24. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	Dec. 31, 2013	Dec. 31, 2012
Current service cost	66	151
Interest income	–107	–96
Interest expense	253	242
Total	**211**	**297**

In addition to the expenses for pensions obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to €2,878k (prior year: €4,109k).

Please see section III.25. (Provisions for pensions) for further information.

4. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation and impairment of property, plant and equipment and the amortization and impairment of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment) and III.2. (Intangible assets).

For an explanation of impairment losses on goodwill from discontinued operations, please refer to section IV.10. (Discontinued operations).

5. Other operating expenses

Other operating expenses break down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Costs of the collection process	102 639	75 859
Valuation allowances and write-downs on receivables	1 475	4 896
Valuation allowances and write-downs on financial assets	0	450
General and administrative expenses, contributions and rent	13 072	15 482
Personnel recruitment and freelancers	4 566	6 904
Consulting and auditing fees	4 225	4 999
Expense from the measurement of NPL receivables	6 560	3 236
Other taxes	0	325
Commissions, incidental refinancing costs	66	15
Expenses from exchange differences	0	3
Expenses arising from the disposal of assets	2	107
Other operating expenses	1 965	13 052
Total	**134 570**	**125 328**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables. The increase in expenses year on year is largely due to higher expenses for collection lawyers of €12.3 million, costs for the settlement of legal disputes of €7.9 million and fees for address services of €1 million. The settlement costs include collection fees for prior years.

The item “General and administrative expenses, contributions and rent” includes expenses from operating leases for vehicles and office equipment amounting to €3.1 million (prior year: €2.9 million).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

For details of the other operating expenses attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

6. Interest and similar income

Interest and similar income mainly relates to the fair value measurement of derivatives. For details of the interest and similar income attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

7. Interest and similar expenses

Interest expenses arise mainly from loan liabilities of the holding company and expenses from fair value measurement as well as interest expenses from derivatives. For details of the interest and similar expenses attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

8. Profit/loss from investments accounted for using the equity method

The contribution to consolidated earnings from the profit/loss of associates amounted to €0k (prior year: €56k). The largest individual figure within this contribution in 2012 was €86k from HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH.

9. Income taxes

Group tax expense is calculated using a tax rate of around 32% (prior year: 32%). This tax rate is also used for the calculation of deferred taxes.

The following table shows the tax reconciliation:

in €k	Dec. 31, 2013	Dec. 31, 2012
Earnings before income tax	6 908	–20 403
Expected income taxes	**2 191**	**–6 472**
Modification of the determination of taxable income	327	1 170
Measurement and utilization of loss carryforwards	318	728
Out-of period taxes	–8 987	4 646
Permanent effects	–1 423	239
Other	38	102
Effective income taxes	**–7 536**	**413**

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft.

Out-of-period taxes mainly relate to the reversal of provision for the tax audit.

The permanent effects largely concern the interest on the hybrid loan from the shareholder.

The tax expenses are as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Current taxes	1 234	505
Current taxes from prior years	–8 987	4 646
Deferred taxes	217	–4 738
Total	**–7 536**	**413**

10. Discontinued operations

Retrospective restatement of prior-year figures

The planned sale of the Spanish companies of the GFKL Group make it necessary to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The operations which must be presented as discontinued operations are no longer included in the profit/loss from continuing operations in the period under review or in any other comparative period. The profit/loss from these operations is now included in the profit/loss from discontinued operations in the income statement. The adjustments prescribed by IFRS 5 are made retrospectively.

The following table shows the effects of applying this classification retrospectively to the items of the income statement as of December 31, 2012:

in €k	Dec. 31, 2012
Revenue	–14 189
Other operating income	–33
Personnel expenses	–8 903

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in €k	Dec. 31, 2012
Depreciation, amortization and impairment expense	–3 954
Other operating expenses	–6 307
Interest and similar income	–3 198
Interest and similar expenses	–915
Income taxes	–190

Information on results and cash flows from discontinued operations is provided below. The results generated in both periods covered are presented on a separate line in the income statement.

For the purposes of presentation in accordance with IFRS 5.33, intragroup balances and transactions between discontinued and continuing operations are not consolidated if it is probable that the business relationships will be continued after the disposal.

The depreciation/amortization of non-current assets of discontinued operations was suspended.

Aside from the Spanish companies, the prior year also includes the companies of the former software segment which were sold in 2012.

The result from discontinued operations breaks down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Discontinued operations income	13 845	21 382
thereof in respect of affiliates	*0*	*0*
Discontinued operations expenses	13 300	21 107
thereof in respect of affiliates	*260*	*224*
Earnings before tax	**545**	**275**
Taxes on earnings	–117	285
Profit/loss from measurement/deconsolidationless costs to sell	–12 585	–3 165
Taxes on profit/loss from measurement/deconsolidation	0	0
Profit/loss from discontinued operations	**–12 157**	**–3 174**
Cash flow from operating activities	14 118	–291
Cash flow from investing activities	–56	–172
Cash flow from financing activities	–15 763	215
Total	**–1 702**	**–248**

Assets and liabilities related to discontinued operations are recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” (section III.12.) and comprise the assets and liabilities of the operations held for sale as of December 31, 2013.

V. Other disclosures

1. Basic/diluted earnings per share and dividends

Earnings per share are calculated on the basis of the profit attributable to the equity holders of the parent and the number of outstanding shares in the Group’s parent, GFKL Financial Services Aktiengesellschaft. As of December 31, 2013, the average number of shares was 24,783,567 (prior year: 24,783,567). Treasury shares (1,100,223 shares; prior year: 1,100,223 shares) are not taken into account in the calculation of earnings per share.

The average number of shares is derived from the number of shares in GFKL Financial Services Aktiengesellschaft including the issue of new shares. In order to determine diluted earnings per share, the shares not yet tendered under the cash settlement offer and the corresponding interest must be taken into account.

Beginning of period	End of period	No. days	No. shares	Weighting
Jan. 1, 2013	Dec. 31, 2013	365	24 783 567	24 783 567
Total/average: ..		**365**		**24 783 567**

Basic earnings per share were calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares, as follows:

	Dec. 31, 2013	Dec. 31, 2012
Profit/loss from continuing operations after non-controlling interests in €k	14 457	–20 812
Profit/loss from discontinued operations in €k	–12 157	–3 174
Profit/loss attributable to equity holders of the parent in €k	**2 301**	**–23 986**
Weighted number of shares	24 783 567	24 783 567
Earnings per share in €	**0,09**	**–0,97**

Diluted earnings per share was calculated as follows:

	Dec. 31, 2013	Dec. 31, 2012
Profit/loss from continuing operations after non-controlling interests in €k	14 541	–20 721
Profit/loss from discontinued operations in €k	–12 157	–3 174
Profit/loss attributable to equity holders of the parent in €k	**2 384**	**–23 895**
Weighted number of shares	25 005 526	25 062 693
Earnings per share in €	**0,10**	**–0,95**

The profit/loss used for determining diluted earnings per share is adjusted for interest expenses and corresponding taxes for outstanding share repurchases of €84k (prior year: €91k). The weighted average number of shares is influenced by the number of shares outstanding as of January 1, 2013 from the cash settlement offer to former ABIT shareholders. The required issue of new ordinary shares at the current share price that would be necessary to settle the outstanding amount under the cash settlement offer is determined in this context.

As for 2012, there are no plans to distribute a dividend for 2013.

2. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2013 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables..	LaR	81 058	81 058
Held-to-maturity investments..	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	100 692	100 692
Liabilities			
Financial liabilities at amortized cost	FLAC	190 791	190 791
Financial liabilities at fair value through profit or loss	FLaFV	2 059	2 059

GFKL holds financial instruments in the categories “Loans and receivables” and “Financial assets at fair value through profit or loss.” In the “Financial assets at fair value through profit or loss” category, the carrying amount is equal to the fair value because these items are recognized at market value. In the case of financial instruments in the “Loans and receivables” category, the carrying amount is also equal to the fair value because these items are recognized at the expected settlement amount taking into account appropriate valuation allowances. Assets and liabilities are mostly subject to floating-rate interest. An exception is the fixed-rate subordinated loan from Carl Holding GmbH, which is non-current.

As of December 31, 2012, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	75 827	75 827
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	116 771	116 771
Liabilities			
Financial liabilities at amortized cost	FLAC	200 841	200 841
Financial liabilities at fair value through profit or loss	FLaFV	4 013	4 013

NPL portfolios and derivatives that do not qualify for hedge accounting are recognized in the "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss" categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7; NPL portfolios under Level 3.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques for determining the fair value of the NPL investments.

The "Financial liabilities at amortized cost" are mostly floating-rate loans. There is no evidence that the agreed credit spreads have changed significantly since the loans were entered into. Thus the carrying amounts remain equivalent to the fair values of the financial liabilities.

As of December 31, 2013, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	4	0	–489	10	**–475**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	53 062	**53 062**
FLAC	0	10 183	0	56	**–10 127**
FLaFV	53	2 837	0	0	**–2 784**

As of December 31, 2012, the amounts were as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	229	0	–553	–4 987	**–5 311**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	13	0	0	48 455	**48 468**
FLAC	0	11 183	–1	3 724	**–7 460**
FLaFV	0	4 206	0	5	**–4 200**

As part of refinancing arrangements for securitization transactions, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Assigned NPL portfolios	26 446	36 617
Pledged current accounts	0	12 961
Total	**26 446**	**49 578**

There are no financial instruments that include multiple embedded derivatives.

For disclosures on compliance with the terms and conditions of loan agreements, please refer to the information on capital management under section II.9. (Business risks and capital management).

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39 (cash flow hedge).

in €k	Dec. 31, 2013	Dec. 31, 2012
Derivative financial instruments with negative fair values		
—not designated as part of a hedge relationship	–2 058	–4 013

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of December 31, 2013. Derivative financial instruments with a negative fair value of €2,058k are held to hedge against fluctuations in the fair value of the NPL portfolios arising from changes in the general level of interest rates.

3. Derecognition of assets

a) Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL retains substantially all the risks and rewards of the NPL portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under “Non-performing loans and receivables acquired for settlement” (€24.3 million) and the liabilities under “Other financial liabilities” (€15.8 million).

b) Derecognitions in relation to the change in shareholders in 2009

In relation to the change in GFKL’s shareholders in 2009, assets were transferred to the former shareholders, or a special purpose entity set up by them. The assets partly related to a compensation claim against Resba GmbH. A settlement was reached in fiscal year 2013 in the legal dispute between SBL Mobilien and Resba GmbH.

Due to differences of opinion between the joint venture partners concerning the management of the entity and the rights to information and due to differences in connection with the sale of two portfolios by Domusvenda S.A., Lisbon, Portugal, GFKL filed a number of actions before the courts in Portugal against its partner and against the general managers appointed by that partner and filed an application to open insolvency proceedings against the assets of Domusvenda S.A. in February 2012. In March 2013, a settlement was agreed with the partner, Domusvenda and other parties.

4. Contingent liabilities

GFKL is subject to continued liability in some instances in respect of former group companies that have been sold.

5. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

As of December 31, 2013, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 913	1 429	0
Maintenance agreements	259	283	0
Operating leases..	300	201	0

As of December 31, 2012, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	3 640	6 535	0
Maintenance agreements	24	40	0
Operating leases	399	281	0

The company enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

6. Auditor's fees

The group auditor's fees for the fiscal years break down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Audit services	249	382
Audit-related services	210	200
Tax services	92	526
Other services	165	681
Total	**715**	**1 789**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, GFKL's activities include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made

1. Cash and cash equivalents comprised cash amounting to €60.1 million (prior year: €38.2 million). €19.8 million (prior year: €20.3 million) of this amount is earmarked funds as of December 31, 2013. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet and contain cash from discontinued operations of €1.9 million (prior year: €0 million).
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€88.7 million; prior year: €84.7 million).
3. As of December 31, 2013, the Group's cash flow from operating activities amounted to €53.3 million (prior year: €18.3 million).
4. The cash flow from investing activities of -€22.1 million (prior year: -€14.5 million) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to -€26.1 million (prior year: -€16.5 million). Please see section II.8.a (Basis of consolidation) for further information on cash flows from corporate transactions.
5. Apart from the repayment of loans, the cash flow from financing activities of -€9.3 million (prior year: -€24.2 million) comprised cash received from the financing of NPL portfolios (€18 million; prior year: €0 million) and, in the prior year, cash inflows from the issue of equity instruments (€30 million).
6. In the period under review, the Group generated cash flow from interest paid of €8.8 million (prior year: €9.7 million) and interest received of €1.3 million (prior year: €3.2 million). The cash flow from income taxes was €0.1 million (prior year: -€2.7 million).

VII. Events after the balance sheet date

In January 2014, the company entered into a long-term lease for a new administrative building in Essen. The move is scheduled for mid-2014.

A further tranche with NPL portfolios of €25.0 million was sold to a US investor as planned in March 2014 through the securitization structure established in 2013.

There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2013.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures

1. Related parties

Carl Holding GmbH, a subsidiary of Advent International, is the majority shareholder with a stake of 92.81%. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under "Transactions." The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Executive Board and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2013	2012	Dec. 31, 2013	Dec. 31, 2012
Advent International	1 590	2 000	20 055	19 465
Equity holders with a significant influence	**1 590**	**2 000**	**20 055**	**19 465**
Related parties of the equity holder with a significant influence	**0**	**0**	**4**	**4**
Associates	0	0	0	0
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	141	9	0	0
Total	**1 731**	**2 009**	**20 059**	**19 469**

Liabilities to Advent International are primarily due to loans granted by Carl Holding GmbH. Please also see section III.15. (Hybrid capital).

Receivables and transactions relating to services rendered break down as follows:

in €k	Transactions		Balances	
	2013	2012	Dec. 31, 2013	Dec. 31, 2012
Advent International	11	20	0	0
Equity holders with a significant influence	**11**	**20**	**0**	**0**
Related parties of the equity holder with a significant influence	**377**	**17**	**64**	**1**
Associates	0	13	0	0
Entities over which key persons have a significant influence	0	0	0	0
Management in key positions	1	1	0	0
Total	**389**	**51**	**64**	**1**

Related party transactions are conducted on an arm's length basis.

The Executive Board members simultaneously hold investments in an Advent entity that indirectly holds shares in GFKL. The shares were acquired at market prices. This therefore did not have an effect on GFKL's profit or loss. Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

2. Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	
Marc Knothe, Vienna	May 1, 2011	
Stefan Brauel, Bodenheim	Mar. 15, 2011	Nov. 5, 2012
Christian Weber, Düsseldorf	Apr. 1, 2010	Nov. 7, 2012

The following table shows the changes in the year under review in the total remuneration paid to the Executive Board and in the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation:

in €k	Dec. 31, 2013	Dec. 31, 2012
Current remuneration	1 887	1 915
Termination benefits	0	1 120
Executive Board remuneration	**1 887**	**3 036**
Supervisory Board remuneration	92	92
Total remuneration	**1 979**	**3 128**

A pension obligation in favor of a former member of the Executive Board resulted in expenses of €68k in the reporting period (prior year: €49k). Please see section III.25. (Provisions for pensions) for further information.

In the past two years, the Supervisory Board members were:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	
Hans-Hermann Anton Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	
Geoffrey Philip Ognall, London, UK (Deputy Chairman)	Dec. 15, 2009	Aug. 15, 2012

Essen, April 17, 2014

sgd Kamyar Niroumand
(Chairman of the
Executive Board)

sgd Marc Knothe
(Member of the
Executive Board)

sgd Christoph Pfeifer
(Member of the
Executive Board)

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2012 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft, Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, April 26, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer
Wirtschaftsprüfer
[German Public Auditor]

Uhl
Wirtschaftsprüfer
[German Public Auditor]

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of December 31, 2012 (in accordance with IFRSs)
in €k

	Notes	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment	III.1.	2 595	2 865
Intangible assets	III.2.	19 074	9 852
Goodwill	III.3.	35 628	34 856
Investments in associates	III.4.	0	1 881
Non-performing loans and receivables acquired for settlement	III.5.	70 897	70 316
Derivatives with positive fair values	III.6.	0	3
Other financial assets	III.7.	2 574	36 469
Deferred tax assets	III.8.	516	530
		131 285	**156 772**
Current assets			
Non-performing loans and receivables acquired for settlement	III.5.	45 874	51 177
Trade and other receivables	III.9.	13 490	15 541
Income tax refund claims	III.10.	1 354	1 456
Other financial assets	III.7.	21 588	19 908
Derivatives with positive fair values	III.6.	0	3
Cash and cash equivalents	III.11.	38 174	58 599
		120 481	146 683
Assets classified as held for sale	III.12.	0	2 282
		120 481	**148 965**
Total assets		**251 765**	**305 737**
EQUITY AND LIABILITIES			
Equity			
Share capital	III.13.	25 884	25 884
Capital reserves	III.14.	51 668	51 668
Hybrid capital	III.15.	31 246	0
Treasury shares	III.16.	–17 890	–17 890
Retained earnings	III.17.	64	64
Valuation reserve for financial instruments	III.18.	–370	–1 321
Net retained loss		–98 576	–73 344
Equity attributable to equity holders of the parent		–7 974	–14 939
Non-controlling interests	III.19.	–54	–49
Total equity		**–8 027**	**–14 988**
Non-current liabilities			
Liabilities to banks	III.22.	108 266	61
Derivatives with negative fair values	III.6.	2 785	4 828
Other financial liabilities	III.23.	32 661	11 739
Provisions	III.24.	2 527	618
Provisions for pensions	III.25.	2 871	3 061
Deferred tax liabilities	III.8.	5 318	5 197
		154 427	25 505
Current liabilities			
Liabilities to banks	III.22.	14 037	155 942
Derivatives with negative fair values	III.6.	1 227	3 518
Trade payables and other liabilities	III.26.	12 816	10 717
Other financial liabilities	III.23.	33 061	81 737
Income tax provisions	III.27.	18 384	14 521
Provisions	III.24.	25 840	22 565

	Notes	Dec. 31, 2012	Dec. 31, 2011
		105 366	289 000
Liabilities classified as held for sale	III.12.	0	6 220
		105 366	295 220
Total liabilities		**259 793**	**320 725**
Total equity and liabilities		**251 765**	**305 737**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to December 31, 2012 (in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2011
Revenue	IV.1.	171 165	168 534
Other operating income	IV.2.	9 050	4 877
Personnel expenses	IV.3.	52 287	49 884
Depreciation, amortization and impairment expense	IV.4.	7 944	10 298
Other operating expenses	IV.5.	131 635	153 811
Interest and similar income	IV.6.	4 099	6 373
Interest and similar expenses	IV.7.	15 566	17 845
Profit/loss from investments accounted for using the equity method	IV.8.	56	105
Earnings/loss before tax		**–23 063**	**–51 950**
Income taxes	IV.9.	603	–5 340
Profit/loss from continuing operations		**–23 666**	**–46 610**
Profit/loss from discontinued operations	IV.10.	–325	–20 171
Consolidated profit/loss for the period		**–23 991**	**–66 781**
Profit attributable to non-controlling interests		1	1
Loss attributable to non-controlling interests		6	73
Profit/loss attributable to equity holders of the parent		**–23 986**	**–66 709**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic	V.1.	–0.95	–1.88
Diluted	V.1.	–0.94	–1.85
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic	V.1.	–0.01	–0.81
Diluted	V.1.	–0.01	–0.80

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to December 31, 2012 (in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2011
Consolidated profit/loss for the period		**–23 991**	**–66 781**
Resulation from the valuation reserve for financial instruments	III.18.	1 394	1 308
Result from deferred taxes for financial instruments	III.8.	–442	–415
Result from currency translations		0	–4
Other comprehensive income		**952**	**890**
Total comprehensive income		**–23 039**	**–65 891**
Thereof attributable to:			
Equity holders of the parent		–23 034	–65 820
Non-controlling interest		–5	–72

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 2012 (i
in €k

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserve for financial instruments III.18.	Currency translation	Net retained loss
As of January 1, 2011	**25 884**	**51 668**	**0**	**–17 890**	**64**	**–2 215**	**4**	**–6 635**
Other comprehensive income	0	0	0	0	0	893	–4	0
Consolidated profit/loss for the period	0	0	0	0	0	0	0	–66 709
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**893**	**–4**	**–66 709**
As of December 31, 2011	**25 884**	**51 668**	**0**	**–17 890**	**64**	**–1 321**	**0**	**–73 344**
As of December 31, 2012	**25 884**	**51 668**	**0**	**–17 890**	**64**	**–1 321**	**0**	**–73 344**
Other comprehensive income	0	0	0	0	0	952	0	0
Consolidated profit/loss for the period	0	0	1 246	0	0	0	0	–25 232
Total comprehensive income	**0**	**0**	**1 246**	**0**	**0**	**952**	**0**	**–25 232**
Contribution	0	0	30 000	0	0	0	0	0
As of December 31, 2012	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**–370**	**0**	**–98 570**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2012 (in accordance with IFRSs) in €k

	Notes	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2011
1. Operating activities			
Profit/loss from continuing operations		–23 666	–46 610
Profit/loss from discontinued operations		–325	–20 171
Consolidated profit/loss for the period		**–23 991**	**–66 781**
Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+ Depreciation, amortization and impairment expense		8 895	11 840
+ Accounting losses from the disposal of property, plant and equipment/intangible assets		107	24
– Gain from the disposal of property, plant and equipment/intangible assets		0	0
+/– Change in provisions		8 733	21 854
+/– Change in deferred taxes		–4 724	–12 178
–/+ Repayments and changes in value of NPL portfolios		34 402	40 806
Changes in balances in the period			
–/+ Trade and other receivables		5 586	–3 410
+/– Trade payables and other liabilities		–1 611	3 956
–/+ Change in lease assets/lease refinancing		0	–3 958
–/+ Changes in other net assets		–9 118	36 826
= Cash flow before change in cash reserve	VI.2.	**18 279**	**28 980**
–/+ Change in leasing cash reserve		**0**	**6 727**
= Cash flow from operating activities	VI.3.	**18 279**	**35 707**
2. Investing activities			
+ Cash received from the disposal of property, plant and equipment/intangible assets		147	0
– Acquisition of property plant and equipment/intangible assets		–2 872	–6 612
+ Cash received from transferred receivables		24 600	9 500
– Cash paid for loans granted and other financial investments		–500	0
– Investment in NPL portfolios		–16 487	–13 809
+ Divestment of NPL portfolios		1 952	2 048
– Acquisition of companies and shares less net cash acquired		–23 279	0
+/– Sale of companies and shares less net cash sold		467	5 167
+ Cash received from the sale of financial assets		1 500	0
– Acquisition of financial assets		–13	0
= Cash flow from investing activities	VI.4.	**–14 483**	**–3 707**
3. Financing activities			
+ Cash received from the issue of equity instruments		30 000	0
– Repurchase of shares from former ABIT shareholders		–20	–669
+ Cash received from bank loans		0	25 026
– Repayment of bank loans		–25 785	–66 371
+ Cash received from financing for NPL portfolios		0	29 532
– Repayment of financing for NPL portfolios		–28 416	–31 342
= Cash flow from financing activities	VI.5.	**–24 221**	**–43 825**
4. Development of liquidity			
Cash and cash equivalents at the beginning of the period		58 599	71 660
+ Change in cash and cash equivalents		–20 424	–11 824
= Cash and cash equivalents at the end of the period		**38 174**	**59 836**

	Notes	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2011
5. Composition of cash and cash equivalents[1]			
Cash	VI.1.	**38 174**	**59 836**
thereof restricted cash		20 346	19 689

1 Cash and cash equivalents as of December 31, 2012 do not include any cash from assets classified as held for sale (prior year: €1,237k).

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Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2012 (in accordance with IFRSs)

I. General comments F-116

II. Basis of presentation and accounting policies F-116

1. Basis of presentation of the consolidated financial statements F-116
2. Changes in accounting policies and disclosure F-116
3. Effects of new and amended IFRSs F-117
4. Changes in accounting estimates F-119
5. Significant accounting estimates and assumptions F-119
6. Significant accounting judgments F-120
7. Significant accounting policies F-120
8. Consolidation disclosures F-126
9. Business risks and capital management F-128

III. Balance sheet disclosures F-128

1. Property, plant and equipment F-128
2. Intangible assets F-129
3. Goodwill F-131
4. Investments in associates F-132
5. Non-performing loans and receivables acquired for settlement F-132
6. Derivatives with positive and negative fair values F-134
7. Other financial assets F-134
8. Deferred tax assets and liabilities F-135
9. Trade and other receivables F-136
10. Income tax refund claims F-136
11. Cash and cash equivalents F-136
12. Assets classified as held for sale and liabilities classified as held for sale F-136
13. Share capital F-137
14. Capital reserves F-137
15. Hybrid capital F-137
16. Treasury shares F-137
17. Retained earnings F-137
18. Valuation reserve for financial instruments F-137
19. Non-controlling interests F-138
20. Conditional capital F-138
21. Authorized capital F-138
22. Liabilities to banks F-138
23. Other financial liabilities F-139
24. Provisions F-140
25. Provisions for pensions F-141
26. Trade payables and other liabilities F-143
27. Income tax provisions F-143

IV. Income statement disclosures F-144

1. Revenue F-144
2. Other operating income F-144
3. Personnel expenses and number of employees F-145
4. Depreciation, amortization and impairment expense F-145
5. Other operating expenses F-146
6. Interest and similar income F-146
7. Interest and similar expenses F-146
8. Profit/loss from investments accounted for using the equity method F-147
9. Income taxes F-147

10. Discontinued operations F-147

V. Other disclosures F-148

1. Basic/diluted earnings per share and dividends F-148
2. Additional disclosures on financial instruments F-149
3. Derecognition of assets F-151
4. Contingent liabilities F-152
5. Other financial obligations F-152
6. Auditor's fees F-153

VI. Cash flow statement disclosures F-153

VII. Events after the balance sheet date F-154

VIII. Related party relationships and Executive Board and Supervisory Board disclosures F-154

1. Related parties F-154
2. Executive Board and Supervisory Board disclosures F-155

List of shareholdings .... F-

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2012
(in accordance with IFRSs)

I. General comments

GFKL Financial Services Aktiengesellschaft, Essen, is the parent of the GFKL Group. The company's registered offices are at Limbecker Platz 1 in Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Carl Holding GmbH—a subsidiary of Advent International Corp., Boston—is the majority shareholder with a stake of around 92.8%. GFKL is a financial services provider in the receivables management segment. The equity investments in the software segment were sold in fiscal year 2012. Please refer to the management report for further information on operating activities.

The consolidated financial statements for fiscal year 2012 were authorized for issue by the Executive Board on April 26, 2013.

Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and SNT Inkasso & Forderungsmanagement GmbH have been included in full in the consolidated financial statements of GFKL. Control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER Wuppertal GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft and its first and second-tier subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. In addition to GFKL Financial Services Aktiengesellschaft, the holding company, the GFKL Group includes 16 fully consolidated first and second-tier subsidiaries. The Group also has a further equity investment. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. Shareholdings are generally accounted for according to the voting shares in capital.

The consolidated financial statements are generally prepared using the cost method. However, non-performing loans and receivables acquired for settlement and derivative financial instruments are measured at fair value rather than at cost.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. In the notes, the figures as of December 31, 2012 are compared with those as of December 31, 2011.

2. Changes in accounting policies and disclosure

The software segment was classified as discontinued operations in fiscal year 2011 as the sale of the segment was planned.

As they are separate major lines of business and thus discontinued operations, their current results and any gains on disposal have been presented in a separate section of the consolidated income statement.

In fiscal year 2012, the Group sold the equity investments in the software segment. The equity investments in associates were also sold.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new interpretations.

GFKL applied the following new and revised IFRSs in fiscal year 2012: IFRS 7 (2010) *Disclosures—Transfer of Financial Assets.*

The provisions relevant for GFKL and their effects are described below:

The amendment to IFRS 7 was issued in October 2010 and becomes effective for fiscal years beginning on or after January 1, 2012. It requires extended disclosures on transfers of financial assets when full or partial derecognition has failed or a continuing involvement has to be recognized. The resulting effects are explained in further detail in section V.3. (Derecognition of assets).

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Effects
IFRS 1........	Government grants	Mar. 13, 2012	Jan. 1, 2013	Yes	None
IFRS 1........	Hyperinflation and fixed dates for adoption	Dec. 20, 2010	Jul. 1, 2011	Yes	None
IFRS 7/....... IFRS 9	Recognition, classification and measurement of financial instruments	Nov. 12, 2009	Jan. 1, 2015	No	No significant changes
IFRS 7/....... IFRS 9	Disclosures on the offsetting of financial assets and financial liabilities	Dec. 16, 2011	Jan. 1, 2013	Yes	Extended disclosures in the notes
IFRS 9........	Financial Instruments: Classification and Measurement	Nov. 12, 2009/ Oct. 28, 2010	Jan. 1, 2015	No	No significant changes
IFRS 10......	Control of entities	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IFRS 10/..... IFRS 11/ IFRS 12	Exemptions for first-time adoption	Dec. 11, 2012	Jan. 1, 2013	Yes	No significant changes
IFRS 10/..... IFRS 12/ IFRS 27	Consolidation of subsidiaries	Oct. 31, 2012	Jan. 1, 2014	No	No significant changes
Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Effects
IFRS 11......	Joint Arrangements	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IFRS 12......	Disclosure of Interests in Other Entities	May 12, 2011	Jan. 1, 2013	Yes	Extended disclosures in the notes
IFRS 13......	Fair Value Measurement	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IAS 12........	Deferred Taxes: Recovery of Underlying Assets	Dec. 20, 2010	Jan. 1, 2013	Yes	No significant changes
IAS 19........	Employee Benefits	Jun. 16, 2011	Jan. 1, 2013	Yes	Change in recognition and extended disclosures in the notes
IAS 27........	Separate Financial Statements	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IAS 28........	Investments in	May 12, 2011	Jan. 1, 2013	Yes	No significant

	Associates and Joint Ventures				changes
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Yes	No significant changes
IFRS .... (2009 to 2011)	Changes and clarifications to various IFRSs	May 17, 2012	Apr. 1, 2013	Yes	No significant changes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Oct. 19, 2011	Jan. 1, 2013	Yes	None

Voluntary early adoption of the standards is not planned.

Under the revised IAS 19 *Employee Benefits,* actuarial gains and losses have to be recognized directly and in full in other comprehensive income. The standard is applied retrospectively. This will reduce equity for 2012 by €1,516k in the consolidated financial statements as of December 31, 2013. The provisions for pensions will increase by the same amount to €4,386k.

4. Changes in accounting estimates

Changes relate in particular to the parameters of NPL measurement, which are regularly adjusted in line with the market and the determination of expected cash flows, which were also adjusted using the same estimation techniques. For more information on the adjustment of the parameters, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.5. (Non-performing loans and receivables acquired for settlement). No changes were made in estimation techniques in the year under review.

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Non-performing loans and receivables acquired for settlement

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at €116.8 million as of the balance sheet date (prior year: €121.5 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. Since there is no active market for these assets within the meaning of IAS 39.48A, they were measured using an investment model, which was also used to set the purchase price. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs, risk costs, and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Goodwill impairment test

GFKL tests goodwill (€35.6 million; prior year: €34.9 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that cash-generating unit as well

as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

Pension obligations

When measuring provisions for pensions (€2.9 million; prior year: €3.1 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.25. (Provisions for pensions).

6. Significant accounting judgments

Write-down of the receivable from Domusvenda S.A.

Due to differences of opinion between the joint venture partners concerning the management of the entity and the rights to information and due to differences in connection with the sale of two portfolios by Domusvenda S.A., Lisbon, Portugal, GFKL filed a number of actions before the courts in Portugal against its partner and against the general managers appointed by that partner. Moreover, the loans granted to Domusvenda and its subsidiaries for the purpose of acquiring NPL portfolios were called in.

The talks between Domusvenda and GFKL failed in mid-2011 because Domusvenda prevented the performance of the portfolio and corporate due diligence planned by GFKL.

In September 2011, Domusvenda then ceased making payments to GFKL under a payment agreement relating to a part receivable. Furthermore, GFKL received information on the economic development of Domusvenda and on significant changes in management and shareholders that prompted GFKL to file an application to open insolvency proceedings against the assets of Domusvenda S.A. in February 2012.

The above information formed the basis for a write-down on the remaining receivable to €1.3 million as of December 31, 2011. This amount reflects the liquidation value estimated by GFKL.

In addition, the carrying amount of the equity investment in Domusvenda Holding was written down to a pro memoria value of €1 as of December 31, 2011. The write-down came to €7.4 million.

In March 2013, a settlement was reached between the parties to the dispute. The settlement included a set-off with liabilities of GFKL to Domusvenda S.A. of €1.3 million, an upfront payment of €0.4 million and other payments due at a later date of around €2.7 million. In light of the upfront payment already received, allowances of €0.4 million were reversed.

Write-down of NPL portfolios and recognition of a provision for VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG ["Umsatzsteuergesetz": German VAT Act] for the input transactions related to the acquisition and collection of the exposures. This means that the company has to refund to the tax office the input VAT claimed for this line of business for the period from 2004 to 2011.

On the basis of preliminary calculations, an amount of €15.3 million (including interest) was therefore allocated to the provisions in 2011. As of December 31, 2012, the provision was increased by €0.7 million to €16.0 million. In addition, the input VAT amounts were reduced by 30% in 2012. The resulting expense came to €4.1 million. As the matter is still being discussed with the tax authorities, this amount may change to the benefit or detriment of the company.

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

The acquired portfolios are reported at fair value under "Non-performing loans and receivables acquired for settlement." In line with their accounting treatment, the portfolios are reported at fair value to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts and costs to which a discount factor is applied.

The initial discount factor changes over the term of the portfolios due to changes in interest rates on the capital market (risk-free interest rate) and changes to the risk premiums. The risk cost model used for this purpose reflects capital market changes in the amount of the risk premium for investments in the NPL asset

class. Changes to discounting lead to additional income or expenses from the portfolios due to changes in market interest rates and risk costs.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue, whereas the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. The main assets in the Group falling into this category are non-performing loans and receivables acquired for settlement because the Group manages these assets and measures their performance on the basis of fair value. For further information, please refer to “Accounting treatment of acquired portfolios” (section II.7.a). Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss. They are used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at cost and subsequently measured at amortized cost. The following balance sheet items fall into this category: “Other financial assets,” to the extent that they do not relate to interests without significant influence, “Trade and other receivables” and “Cash and cash equivalents.”

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. GFKL recognizes interests in entities over which it has no significant influence in this category. The interests are recognized in the balance sheet under “Other financial assets.”

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as “at fair value through profit or loss” on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: “Liabilities to banks,” “Other financial liabilities,” and “Trade payables and other liabilities.”

c) Other significant accounting policies

Assets classified as held for sale and liabilities classified as held for sale

Non-current assets classified as held for sale, together with assets in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets. Please refer to section III.12. (Assets classified as held for sale and liabilities classified as held for sale) for further information.

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Investments in associates

Investments in associates are accounted for using the equity method. An associate is an entity over which the Group exercises significant influence, but that is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is recognized in the balance sheet at cost plus any change in the Group's share in the entity's net assets that occurs after the acquisition of the investment. Any goodwill related to the associate is included in the carrying amount of the investment. This goodwill is not amortized. When applying the equity method, the Group carries out a test to establish whether the recognition of an additional impairment loss is required in respect of the Group's net investment in the associate. The income statement includes the Group's share of the associate's profit or loss.

The Group and its associates report to the same balance sheet date and use the same accounting policies for similar transactions and events.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 7 years; vehicles, 5 to 7 years; and other office furniture and equipment, 2 to 13 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH and Zyklop Inkasso Deutschland GmbH. A control and profit and loss transfer agreement was concluded in 2012 with SNT Inkasso & Forderungsmanagement GmbH, which was acquired in 2012. This entity is therefore included in the consolidated tax group for income tax purposes from January 1, 2013.

As of December 31, 2012, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, SBL Mobilien GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH, SNT Inkasso & Forderungsmanagement GmbH.

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred taxes

Deferred taxes are formed using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions

GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. The 10% corridor rule has been applied in the measurement of provisions for pensions and in determining the related costs. Under this rule, actuarial gains and losses are recognized if, as of the balance sheet date, they exceed the higher of 10% of the defined benefit obligation and 10% of the fair value of plan assets. These gains and losses are recognized over the average remaining working life of the employees covered by the

plan. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost must be recognized as an expense immediately. The amount to be recognized as a liability under a defined benefit plan is the total of the present value of the defined benefit obligation and the actuarial gains and losses recognized directly in other comprehensive income less the unrecognized past service cost and the fair value of the plan assets available for the direct settlement of obligations. If the total is negative, the resulting asset must be measured at the lower of the following two amounts: the total as described above or the total of any cumulative unrecognized net actuarial losses, past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

If the asset is measured on the basis of the total of any cumulative unrecognized net actuarial losses, past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, the net actuarial losses and the past service cost for the reporting period—to the extent that they exceed any reduction in the present value of the economic benefits—are recognized immediately. If there is no change or no increase in the present value of the economic benefits, the entire net actuarial losses and past service cost for the reporting period must be recognized immediately. Net actuarial gains for the reporting period after deduction of past service cost for the reporting period are recognized immediately to the extent that they exceed any increase in the present value of the aforementioned economic benefits if the asset is measured on the basis of the total of any cumulative unrecognized net actuarial losses, past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. If there is no change or no decrease in the present value of the economic benefits, the entire net actuarial gains for the reporting period after the deduction of past service cost for the reporting period are recognized immediately.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL issued a cash settlement offer as part of the merger with ABIT AG in 2006. For the recognition of these shares, it is irrelevant as to whether they have already been tendered to GFKL. For those shares not yet tendered, a liability has been recognized under other financial liabilities. Proceedings are pending with regard to the settlement amount.

Cash flow hedges

Derivative financial instruments are used for hedging purposes and, as of the balance sheet date, relate primarily to interest rate hedges in connection with medium-term corporate loans. The hedging instruments are cash flow hedges. A hedge is classified as a cash flow hedge if it hedges the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss net of deferred taxes is recognized directly in other comprehensive income; the ineffective portion is recognized in profit or loss. If the forecast transaction is no longer expected to occur, any related amounts previously recognized directly in other comprehensive income are reversed and recognized in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss provided that they do not involve a net investment in a foreign operation and provided that they are not recognized directly in other comprehensive income under hedge accounting arrangements. Any deferred taxes arising in connection with these exchange differences are also recognized directly in equity. Non-monetary items measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rate prevailing on the date the fair value was determined.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income in respect of non-performing loans and receivables acquired for settlement is reported under revenue. This revenue relates to changes in fair values, arising primarily from the income from the investment in the receivable and any income derived from ongoing servicing.

Revenue in respect of unbilled services in the sold software segment is recognized in accordance with IAS 11 using the percentage of completion method. The percentage of completion used to determine the partial revenue for such projects is calculated by comparing the services performed as of the balance sheet date against the estimated total services to be performed in the project.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has changed compared to December 31, 2011 due to sale of GENEVA-ID GmbH and of has program service GmbH as of April 2, 2012. Sales proceeds from the sale of companies amounted to €850k in the reporting period.

The significant assets and liabilities of the entities sold in the first half of 2012 break down as follows:

in €k	Deconsolidated assets and liabilities
Other receivables and assets	2 496
Cash and cash equivalents	383
Subtotal	**2 878**
Other liabilities	5 871
Provisions	598
Deferred tax liabilities	624
Net assets	**–4 214**
Cash inflow from the disposal of companies:	
Cash deconsolidated with the subsidiary	–383
Cash inflow due to the disposal	25 450
Cash flow (balance)	**25 067**

The balance of cash inflows and outflows from disposals of companies consists of the cash and cash equivalents received until the balance sheet date net of the cash and cash equivalents held by the sold companies on the disposal date.

In addition, the cash inflow due to disposals includes €24.6 million in purchase price payments from the sale of Universal Leasing GmbH in 2011. In June 2012, GFKL's purchase price receivable from ADA Financial Services Verwaltungsgesellschaft mbH from the sale of Universal Leasing GmbH was sold to Carl Holding GmbH at its carrying amount, which was €36.4 million. €24.6 million of the sale price was paid in cash and €11.8 million was offset against a shareholder loan from Carl Holding GmbH.

Moreover, GFKL sold its equity investments in the associates HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH and VR Inkasso Leasing & Consulting GmbH in the fourth quarter of 2012.

The basis of consolidation also changed as a result of the acquisition of all shares in SNT Inkasso & Forderungsmanagement GmbH on June 28, 2012. This entity is a debt collection agency specialized in receivables management for telecommunications providers and has its registered office in Potsdam. The acquisition strengthens the Group's market position within the telecommunications industry.

The assets acquired and liabilities assumed from SNT Inkasso & Forderungsmanagement GmbH break down as follows:

Assets acquired and liabilities assumed

in €k	Acquisition-date fair value
Assets	
Property, plant and equipment	19
Intangible assets	10 779
Non-performing loans and receivables acquired for settlement	15 146
Receivables	3 535
Cash and cash equivalents	1 102
	30 581
Liabilities	
Non-current financial liabilities	4 794
Deferred tax liabilities	4 417
Other liabilities	1 243
	10 454
Total identifiable net assets at fair value	**20 127**
Goodwill arising on acquisition	4 254
Total consideration	**24 381**

The fair value of the receivables was €3,535k. The gross amount of the receivables was €3,681k.

In the first half of the year, the consolidated financial statements do not include any proceeds or profits or losses of the subsidiary (date of first-time consolidation is June 28, 2012). No information is provided on proceeds or profits or losses from January 1, 2012 because financial statements for SNT have only been prepared in accordance with GFKL's accounting policies since GFKL obtained control of the entity.

In the second half of the year, consolidated profit/loss for the period includes revenue of SNT of €4.0 million and earnings of –€1.1 million.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Carl Holding GmbH are managed in the same way as equity. The loans amounted to €50.7 million as of December 31, 2012.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

GFKL does not make use of preferred shares.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment
Cost	
Balance as of January 1, 2012	10 184
Additions from business combinations	19
Additions	779
Disposals	248
Balance as of December 31, 2012	**10 734**
Accumulated depreciation and impairment losses	
Balance as of January 1, 2012	7 319
Additions	1 059
Disposals	239
Balance as of December 31, 2012	**8 139**
Residual carrying amounts as of December 31, 2012	**2 595**

In the prior year, changes were as follows:

in €k	Other office furniture and equipment	Operating lease assets
Cost		
Balance as of January 1, 2011	11 783	6 187
Additions	597	0
Disposals from the sale of companies	875	6 187
Reclassification to non-current assets classified as held for sale	1 097	0
Disposals	223	0
Balance as of December 31, 2011	**10 184**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2011	7 872	3 023
Additions	1 212	794
Disposals from the sale of companies	679	3 817
Reclassification to non-current assets classified as held for sale	888	0
Disposals	198	0
Balance as of December 31, 2011	**7 319**	**0**
Residual carrying amounts as of December 31, 2011	**2 865**	**0**

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 2 to 13 years for other office furniture and equipment.

Operating lease assets are fully attributable to the leasing segment sold in 2011.

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2012	16 877	3 984	3 250	1 063
Additions from business combinations	60	0	10 719	0
Additions	845	0	600	647
Reclassifications	1 540	0	0	–1 540
Disposals	115	0	0	85
Balance as of December 31, 2012	**19 207**	**3 984**	**14 569**	**85**
Accumulated amortization and impairment losses				
Balance as of January 1, 2012	9 140	3 984	2 198	0
Additions	2 458	0	947	0
Write-up	62	0	0	0
Disposals	18	0	0	0
Balance as of December 31, 2012	**11 642**	**3 984**	**3 145**	**0**
Residual carrying amounts as of December 31, 2012	**7 565**	**0**	**11 424**	**85**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2011	14 185	3 937	3 886	2 509
Additions	453	0	0	5 559
Reclassifications	6 959	47	0	–7 006
Disposals from the sale of companies	127	0	361	0
Reclassification to non-current assets classified as held for sale	4 578	0	275	0
Disposals	15	0	0	0
Balance as of December 31, 2011	**16 877**	**3 984**	**3 250**	**1 063**
Accumulated amortization and impairment losses				
Balance as of January 1, 2011	10 179	3 937	1 979	0
Additions	1 771	47	561	0
Disposals from the sale of companies	121	0	158	0
Reclassification to non-current assets classified as held for sale	2 674	0	185	0
Disposals	15	0	0	0
Balance as of December 31, 2011	**9 140**	**3 984**	**2 198**	**0**
Residual carrying amounts as of December 31, 2011	**7 737**	**0**	**1 052**	**1 063**

The purchased software and advance payments made mainly relate to investments in a project for restructuring the company's finance functions. The payments relate to a purchase made, for which both internal and external services for creating operational readiness were taken into account. The cost in 2012 was €2.1 million (prior year: €6.6 million). The amortization period is 5 years.

The internally developed software for the administration of lease agreements (LEASE1) has already been fully amortized.

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 7 years.

The Multigestión Group's customer relationships recognized in the balance sheet as part of the purchase price allocation are being amortized on a straight-line basis over a period of 5 or 12 years in line with the estimated revenue. The customer relationships allocated to SNT Inkasso & Forderungsmanagement GmbH

upon its acquisition are being amortized over a useful life of 8.5 years. Apart from goodwill, there are no intangible assets with indefinite useful lives.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2011	57 263
Disposals of subsidiaries	13 797
Reclassification to non-current assets classified as held for sale	7 881
Balance as of December 31, 2011	**35 585**
Acquisition of subsidiaries	4 253
Balance as of December 31, 2012	**39 838**
Write-downs and impairment losses	
Balance as of January 1, 2011	12 930
Impairment losses	9 321
Disposals of subsidiaries	13 641
Reclassification to non-current assets classified as held for sale	7 881
Balance as of December 31, 2011	**729**
Impairment losses	3 481
Balance as of December 31, 2012	**4 210**
Carrying amounts as of December 31, 2011	**34 856**
Carrying amounts as of December 31, 2012	**35 628**

in €k	Dec. 31, 2012	Dec. 31, 2011
Zyklop Inkasso Deutschland	12 542	12 542
Multigestión Group	12 105	15 586
Domnowski Inkasso	3 410	3 410
Proceed Collection Services	3 318	3 318
SNT Inkasso	4 253	0
Total	**35 628**	**34 856**

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2012 for those cash-generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 12.7% (prior year: 11.5%) for the receivables management segment and some 17.2% (prior year: 13.4%) for Spain. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company's financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of €56.5 million (prior year: €54.5 million), whereas the corresponding recoverable amount was €114.8 million (prior year: €141.9 million).

The key value driver for cash flow planning is a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. The Executive Board sees particular revenue potential for receivables management services as a result of new regulatory requirements in the banking and

insurance sectors as well as in the growth industries of telecommunications and energy supply, increasing outsourcing efforts on the part of customers and significant expansion of e-commerce. The basis for reducing relative costs has been established by concentrating on the core business of receivables management, setting up central services, implementing a new IT environment and adjusting and streamlining operational processes.

In fiscal year 2012, the Group's share in the goodwill of the Spanish subsidiary Corfisa S.A.U. was written down by €3.5 million on the basis of considerations regarding the strategic realignment of GFKL in Spain. Goodwill had to be allocated to Corfisa S.A.U. in order to calculate the amount of this impairment loss. The allocation was made on the basis of the relative fair values of the Spanish companies.

4. Investments in associates

Investments in associates in 2011 comprise the shareholdings in HFI Finanz-und Investitions-Beratungsgesellschaft Hamm mbH (HFI) and VR Inkasso Leasing & Consulting GmbH (VRI), the shareholding in both cases being 48%. GFKL sold the shares in these associates in the fourth quarter of 2012.

The prior-year figures for associates were as follows:

	HFI	**VRI**
in €k	**Dec. 31, 2011**	**Dec. 31, 2011**
Assets	839	227
Liabilities	149	80
Revenue	1 583	91
Profit/loss for the period	212	6

5. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	**Dec. 31, 2012**	**Dec. 31, 2011**
Secured, terminated loans	8 026	14 427
Unsecured, terminated loans	33 410	34 328
Unsecured, overdue other receivables	75 335	72 738
Total	**116 771**	**121 493**

For 2012, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

in €k	**Residual maturity**			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Non-performing loans and receivables acquired for settlement	45 874	60 773	10 124	116 771

For the prior year, residual maturities were as follows:

in €k	**Residual maturity**			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Non-performing loans and receivables acquired for settlement	51 177	59 991	10 325	121 493

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	**2012**	**2011**
Opening balance	121 493	158 718
Acquisitions	31 632	13 809
Disposals	1 952	10 228
Subtotal	**151 173**	**162 299**

in €k	2012	2011
Payment receipts	84 667	89 188
Investment income	14 596	17 077
Service income	31 863	30 675
Repayment	**38 207**	**41 435**
Write-ups	15 689	26 486
Impairment expense	–11 883	–25 857
Measurement at fair value	**3 806**	**629**
Closing balance	**116 771**	**121 493**

The disposals are attributable to the return of receivables that did not meet the contractually agreed requirements.

Measurement at fair value is set out in detail below:

in €k	2012	2011
Additional amounts collected	6 215	9 725
Plan adjustments	7 234	13 273
Risk adjustments	0	0
Service cost adjustments	0	91
Changes in market interest rates	2 240	3 398
Write-ups	**15 689**	**26 486**
Shortfall in amounts collected	–4 476	–9 078
Plan adjustments	–6 285	–6 960
Risk adjustments	–26	–199
Service cost adjustments	–127	–6 020
Changes in market interest rates	–970	–3 601
Impairment expense	**–11 883**	**–25 857**
Total changes in value	**3 806**	**629**

The items “Additional amounts collected” and “Shortfall in amounts collected” show deviations between actual payment receipts and planned payment receipts. For changes made in relation to future expected payment receipts, the adjustments are reported under “Plan adjustments.”

The “Risk adjustments” and “Changes in market interest rates” items relate to changes in value attributable to interest rates. Unrealized gains and losses relate to changes from plan and risk adjustments and changes in market interest rates.

Scenario calculations simulate the effects of changes in the input factors used to determine the fair value of the NPL portfolio investments. There are four input factors, the sensitivity of which is shown in the table below. If there is a shift in the term structure of interest rates, an interest rate of less than zero is not taken into account.

The service cost adjustment in 2011 mainly related to the measurement adjustment due to the change in the deduction of input VAT for NPL portfolios. Please refer to section II.6. (Significant accounting judgments).

Input factor	Change	Simulated change in value
Cash flow	+/– 10%	+/– €11.07 million
Cost rate	+/– 5%	–/+ €8.66 million
Risk premium rate	+ 1%	– €2.23 million
Risk premium rate	– 1%	+ €2.31 million
Term structure	+ 1%	– €1.14 million
Term structure	– 1%	+ €2.08 million

Changes in value due to changes in the term structure are partly hedged by interest rate derivatives.

6. Derivatives with positive and negative fair values

As of the balance sheet date, the receivables management segment had entered into interest rate swaps with a total negative fair value of €3.4 million (prior year: €6.4 million) as well as interest rate swaps with positive fair values of €0k (prior year: €5k). The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates. These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

GFKL also held interest rate swaps with a negative fair value of €0.6 million (prior year: €1.9 million). Until June 28, 2012, these swaps served to hedge the interest payments on borrowings with a floating rate of interest. They were designated as cash flow hedges. Changes in value were recognized directly in other comprehensive income. They ceased to be designated as hedges on June 29, 2012 due to the refinancing. Since this date, all changes in value have been recognized in profit or loss. The item previously recognized in other comprehensive income is being released to profit or loss over the residual maturity of the swaps.

The residual maturity was determined on the basis of the expected cash inflows and outflows over the residual maturities of the derivatives.

7. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Receivables from disposals	0	32 056
Cash reserve	1 044	2 925
Miscellaneous non-current financial assets	1 530	1 487
Total other non-current financial assets	**2 574**	**36 469**
Receivables from bill discounting and factoring	15 408	14 545
Cash reserve	1 716	605
Receivables from disposals	0	3 684
Miscellaneous financial assets	4 463	1 073
Total other current financial assets	**21 588**	**19 908**
Total	**24 162**	**56 376**

Please refer to section II.8. (Consolidation disclosures) for information on receivables from disposals.

The “Cash reserve” item relates in particular to receivables from special purpose entities from the securitization of NPL portfolios.

8. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of €15.2 million (prior year: €11.0 million) were then recognized. The losses mainly relate to GFKL AG. No losses from the period prior to the change in shareholders in December 2009 were recognized as assets.

The deferred tax liabilities are chiefly due to the valuation of NPL portfolios.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2012	Dec. 31, 2011
NPL measurement	–18 138	–18 598
Derivatives	1 192	2 562
Intangible assets	–3 200	–247
Provisions	765	–98
Other	800	720
Elimination of intercompany balances	–1 427	0
Loss carryforwards	15 206	10 994
Balance of deferred taxes	**–4 802**	**–4 667**

The table below shows the changes in deferred taxes:

in €k	2012	2011
Deferred tax assets	530	920
Deferred tax liabilities	–5 197	–17 989
Opening balance	**–4 667**	**–17 070**
Change in basis of consolidation	0	42
Reclassification from and to assets classified as held for sale and liabilities classified as held for sale	0	628
Change in equity	–442	–447
Addition from business acquisitions	–4 417	0
Change arising from current results	4 724	12 180
Change in the period	**–135**	**12 402**
Deferred tax assets	516	530
Deferred tax liabilities	–5 318	–5 197
Closing balance	**–4 802**	**–4 667**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

9. Trade and other receivables

The item mainly relates to receivables from customers for receivables management services.

in €k	Dec. 31, 2012	Dec. 31, 2011
Expenses from the collection process	2 231	3 033
Refund claims from other taxes	1 595	4 629
Prepaid expenses and other items	1 306	623
Trade receivables	13 550	10 172
Specific valuation allowances on receivables	–5 191	–2 916
Total	**13 490**	**15 541**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. Allowances on receivables of €2.6 million were recognized in connection with a dispute, increasing the specific valuation allowance on receivables.

10. Income tax refund claims

As in the prior year, this item mainly relates to claims related to investment income tax and withholding tax on interest.

11. Cash and cash equivalents

Cash and cash equivalents of €38,174k (prior year: €58,599k) primarily comprise credit balances on current accounts and short-term deposits. The interest on money market account balances is based on EONIA or EURIBOR. Of these cash and cash equivalents, €20.3 million (prior year: €19.7 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts in receivables management.

As of the balance sheet date and in the prior year, the Group did not have any undrawn lines of credit for which it had already satisfied all the preconditions for the drawdown of funds. This does not include lines of credit used for the refinancing of operations, these facilities being restricted to use solely for this purpose.

12. Assets classified as held for sale and liabilities classified as held for sale

As of December 31, 2011, these items comprise the assets and liabilities of the equity investments from the software segment classified as held for sale.

The following table shows the breakdown of assets classified as held for sale:

in €k	Dec. 31, 2011
Other receivables and assets	1 045
Cash and cash equivalents	1 237
Assets classified as held for sale	**2 282**

Liabilities classified as held for sale break down as follows:

in €k	Dec. 31, 2011
Deferred tax liabilities	627
Provisions	634
Other liabilities	4 959
Liabilities classified as held for sale	**6 220**

Please refer to section IV.10. for more information on discontinued operations.

13. Share capital

As of the balance sheet date, share capital amounted to €25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

14. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions.

The changes in capital reserves can be seen in the consolidated statement of changes in equity attached as an exhibit to these notes.

15. Hybrid capital

GFKL was granted another shareholder loan of €30 million by its majority shareholder on June 28, 2012. The loan has an unlimited term and may be terminated by GFKL for the first time as of December 30, 2015, giving 30 days' notice. The loan accrues interest at 8% p.a. and is reported as equity due to the terms of the loan agreement.

16. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesellschaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of €13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktiengesellschaft on August 16, 2006. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft had repurchased a total of 915,175 shares, which corresponds to a share of €915,175 (3.54%) of the share capital. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft held these shares as treasury shares. The shareholder meeting held on August 15, 2012 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG ["Aktiengesetz": German Stock Corporation Act].

Those shares not yet tendered are also disclosed under "Treasury shares" as a result of the cash settlement offer. This disclosure is accompanied by the recognition of the as yet untendered shares as debt (synthetic liability).

17. Retained earnings

Retained earnings relate to the statutory reserve of €38k (prior year: €38k) and profit participation capital of €26k (prior year: €26k).

18. Valuation reserve for financial instruments

In accounting for the designated interest rate derivatives, the relevant fair values net of income taxes were recognized directly in other comprehensive income. As a result of the reclassification of derivatives in November 2007, the fair values recognized in other comprehensive income at this time are being reversed on a straight-line basis over the residual maturity of the hedged item. The fair values of non-designated interest rate derivatives are recognized in profit or loss. GFKL also held interest rate swaps with a negative fair value of €0.6 million (prior year: €1.9 million). Until June 28, 2012, these swaps served to hedge the interest payments on borrowings with a floating rate of interest. They were designated as cash flow hedges.

Changes in value were recognized directly in other comprehensive income. They ceased to be designated as hedges on June 29, 2012 due to the refinancing. Since this date, all changes in value have been recognized in profit or loss. The item previously recognized in other comprehensive income is being released to profit or loss over the residual maturity of the swaps. The consolidated profit/loss for the period included €666k (prior year: €70k) from the reversal of the valuation reserve.

19. Non-controlling interests

Non-controlling interests relate to the minority interests in Universal Lease Iberia Properties S.L. and Multigestión Portfolio S.L.

20. Conditional capital

The company had no conditional capital at its disposal as of the balance sheet date.

21. Authorized capital

The shareholder meeting held on July 14, 2010 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company by issuing up to 12,941,895 no-par value bearer shares for cash and/or non-cash contributions on one or more occasions up to July 13, 2015, subject to maximum total increase of €12,941,895.00. Existing shareholders are to be granted subscription rights. However, subject to the consent of the Supervisory Board, the Executive Board was authorized to exclude fractional amounts from the shareholders' subscription rights. The Executive Board is also authorized, subject to the consent of the Supervisory Board, to exclude these subscription rights if the capital increase is performed in return for non-cash contributions, in particular during the acquisition of entities, parts of entities, investments in entities or other assets including rights and receivables or as part of a business combination.

22. Liabilities to banks

The following table sets out the principal non-current and current liabilities to banks:

in €k

Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2012	Dec. 31, 2011
Bayerische Landesbank AG..	Syndicated credit facility	Jun. 30, 2015	1M EURIBOR	108 222	0
Various..................................	Loan	Various	Various	43	61
Total non-current liabilities to banks				**108 266**	**61**
Bayerische Landesbank AG..	Syndicated credit facility	Jun. 30, 2015	1M EURIBOR	5 000	0
DZ Bank................................	Syndicated credit line	Dec. 31, 2012	1M EURIBOR	0	41 973
Bayerische Landesbank	Promissory note	Apr. 16, 2012	6M EURIBOR	0	20 000
DZ Bank AG..........................	Loan	Jun. 10, 2012	3M EURIBOR	0	10 000
Landesbank Berlin AG...........	Loan	Jun. 29, 2012	3M EURIBOR	0	12 000
Bayerische Hypo- und Vereinsbank AG	Promissory note	Sep. 28, 2012	6M EURIBOR	0	15 000
Bayerische Landesbank	Loan	Dec. 31, 2012	Fixed	0	9 027
Natixis Niederlassung Deutschland	Promissory note	Feb. 2, 2013	3M EURIBOR	0	24 000
IKB Deutsche Industriebank AG	Promissory note	Sep. 30, 2013	3M EURIBOR	0	15 000
Various..................................	Current account facilities	Various	Various	9 037	8 942
Total current liabilities to banks				**14 037**	**155 942**

in €k					
Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2012	Dec. 31, 2011
....					

The arrangement fees that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees are added back to the loan over its term, with the expense recognized in profit or loss.

GFKL's liabilities to banks are secured by senior notarized pledges of shares/limited partnership interests in the following entities:

- Domnowski Inkasso GmbH, Essen
- Inkasso Becker Wuppertal GmbH & Co.KG, Wuppertal (including pledge of the shares in the general partner GmbH)
- Proceed Collection Services GmbH, Essen
- Proceed Portfolio Services GmbH, Essen
- Sirius Inkasso GmbH, Düsseldorf
- Zyklop Inkasso Deutschland GmbH, Krefeld
- SNT Inkasso & Forderungsmanagement GmbH, Potsdam

Moreover, the liabilities to banks are secured by the cash pool accounts at DZ Bank.

23. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Liabilities arising from NPL portfolios	5 208	11 617
Liabilities to affiliates	19 465	0
Pass-through obligations arising from portfolio management	7 907	0
Other	82	122
Total non-current	**32 661**	**11 739**
Liabilities to affiliates	0	29 861
Liabilities arising from NPL portfolios	5 431	27 437
Pass-through obligations arising from portfolio management	11 561	9 285
Employee-related liabilities	2 458	2 960
Liabilities arising from the cash settlement offer	6 864	6 617
Deferred income and other items	6 748	5 577
Total current	**33 061**	**81 737**
Total	**65 722**	**93 476**

The item liabilities arising from NPL portfolios relates to sold but not derecognized NPL exposures.

The non-current liabilities to affiliates relate to a loan from Carl Holding GmbH.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers.

The following table shows the principal liabilities of the Group as of December 31, 2012, by maturity:

in €k	Residual maturity			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Liabilities to banks	14 037	108 266	0	122 302
Other financial liabilities	33 061	32 661	0	65 722
Trade payables and other liabilities	12 816	0	0	12 816

in €k	Residual maturity			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Total	**59 915**	**140 927**	**0**	**200 841**

24. Provisions

The item "Other taxes" mainly relates to provisions for VAT backpayments. By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller. This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company has to refund to the tax office the input VAT claimed for this line of business for the period from 2004 to 2011. On the basis of preliminary calculations, an amount of €15.3 million (including interest) was therefore allocated to the provisions.

As of December 31, 2012, the provision was increased by €0.7 million to €16.0 million. In addition, the input VAT amounts were reduced by 30% in 2012 for this reason. The resulting expense came to €4.1 million.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions are mainly attributable to GFKL Financial Services Aktiengesellschaft. In this context, allocations had to be made as of December 31, 2012 to provisions for tax backpayments from the tax audit of former subsidiaries.

The provisions for restructuring of €3.1 million were recognized for the centralization of the companies' file archives in 2013 and for the severance of employees and Executive Board members. For information on the severance of employees and Executive Board members, please see section IV.3. (Personnel expenses and number of employees).

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 10 years. The changes in other provisions over the fiscal year are shown in the following table. The increase in the discounted amount during the year under review to reflect the passage of time and changes in the discount rate did not have any material impact in the reporting period.

The "Other" item includes an allocation of €3.2 million due to an onerous contract.

in €k	Other taxes	Tax audit interest	Warranties	Restructuring	Archiving	Other	Total
Opening balance	18 453	1 479	1 110	60	447	1 635	23 183
Allocation	749	9	442	3 186	143	5 807	10 336
Utilization	2 943	602	1	98	5	537	4 186
Reversal	0	49	227	0	0	690	966
Closing balance	**16 259**	**837**	**1 323**	**3 148**	**585**	**6 215**	**28 367**
Current	16 259	837	1 323	3 148	204	4 068	25 840
Non-current	0	0	0	0	380	2 147	2 527
Closing balance	**16 259**	**837**	**1 323**	**3 148**	**585**	**6 215**	**28 367**

25. Provisions for pensions

GFKL has defined benefit pension obligations. Pension obligations were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 3.0% and 3.9% (prior year: 4.5% and 5.2%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.64-71. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated in a range from 1.5% to 2.5% (prior year: 1.5% to 3.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 1.5% (prior year: 0.0% to 3.5%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005G Heubeck mortality tables. The measurement of external plan assets was based on a return of 0.0% to 3.9% (prior year: 0.0% to

4.3%). The expected return on plan assets, i.e., the measurement of plan assets in the subsequent year, was based on the same returns used in the measurement for the period under review. The calculation of returns is based on both current market data and past experience of the growth in external plan assets. The 10% corridor rule was applied in the measurement of provisions for pensions and in determining the related costs. Actuarial gains and losses are recognized in profit or loss if they exceed 10% of the defined benefit obligation or 10% of the fair value of the plan assets. The amount in excess of the corridor is divided by the remaining period of service of the beneficiaries and recognized on a pro rata basis.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. The former general manager of SBL Mobilien GmbH has already retired and draws 75% of his most recent monthly fixed remuneration. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The following table shows the reconciliation for the four prior years, the fiscal year and the anticipated changes for 2013:

in €k	2013	2012	2011	2010	2009	2008
Present value of unfunded defined benefit obligation	7 401	7 230	5 093	6 370	5 784	5 580
Plan assets	–3 179	–2 843	–2 466	–3 481	–3 205	–3 138
Unrecognized actuarial gains/losses	0	–1 516	434	500	608	951
	4 222	**2 871**	**3 061**	**3 390**	**3 187**	**3 393**

The following table shows the changes in the defined benefit obligation:

in €k	2012	2011
Opening balance of defined benefit obligation	**5 093**	**6 370**
Interest expense	242	273
Pension payments	–75	–124
Current service cost	151	198
Effect of change in pension entitlement	0	–2
Actuarial losses	1 819	163
Change in basis of consolidation	0	–1 196
Reclassification to liabilities classified as held for sale	0	–588
Closing balance of defined benefit obligation	**7 230**	**5 093**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2012	2011
Opening balance of plan assets	**2 466**	**3 481**
Return/income	96	74
Actuarial gains/losses (–)	–36	81
Contributions	228	219
Administrative expenses	0	0
Payments arising from plan assets	0	–57
Change in basis of consolidation	0	–1 201
Balance-dependent reclassification	89	0
Reclassification to liabilities classified as held for sale	0	–130
Closing balance of plan assets	**2 843**	**2 466**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €228k (prior year: €219k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2012	2011
Opening balance	**3 061**	**3 390**
Payments arising from plan assets	0	13
Allocation to defined benefit obligation	70	381
Allocation to plan assets	304	343
Change in basis of consolidation	0	94
Reclassification to liabilities classified as held for sale	0	329
Balance-dependent reclassification	–43	–44
Closing balance	**2 871**	**3 061**

Experience adjustments, i.e., the effect of differences between previous actuarial assumptions and the actual development of assets and liabilities, amounted to €654k for the defined benefit obligation (in 2011 –€102k, in 2010 –€69k; in 2009 –€20k; in 2008 –€1k) as well as –€25k for plan assets (in 2011 –€62k, in 2010 –€102k; in 2009 €0k; in 2008 –€66k).

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.3. (Personnel expenses and number of employees).

26. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2012	Dec. 31, 2011
Liabilities from other taxes	3 489	1 756
Trade payables	4 441	4 141
Advance payments received	3 167	3 123
Deferred income and other items	1 719	1 697
Total	**12 816**	**10 717**

27. Income tax provisions

The income tax provisions largely relate to provisions for corporate income tax and solidarity surcharge totaling €4.7 million (prior year: €5.6 million), trade tax of €4.7 million (prior year: €7.7 million) and provisions for the tax audit of €9.0 million (prior year: €1.2 million). The decrease in the amounts for corporate income tax and trade tax is mainly due to payments made in 2012. The increase in the amount for the tax audit is attributable to the preliminary findings of the tax audit that are now available.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Fees from the collection process	85 614	90 896
Cost refunds from the collection process	31 951	25 863
Revenue from acquired portfolios	53 531	50 124
Other	70	1 651
Total	**171 165**	**168 534**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased

overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired for settlement. GFKL bears the entire risk of holding these portfolios. The recognized revenue reflects the change in the fair value of the recognized assets. The underlying measurement model is based on standard market terms and conditions.

2. Other operating income

In connection with new refinancing arranged at the end of June 2012, a bank loan with a carrying amount of €15 million was redeemed in return for payment of €10.5 million. The amount of €4.5 million in excess of the redemption payment was recognized as other operating income.

In addition, other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences.

Other operating income breaks down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Reversal of provisions and accrued liabilities	1 271	1 952
Income from the reversal of valuation allowances on receivables	1 190	634
Income from cost allocations and receipt of various fees	10	0
Income from exchange differences	1	6
Other income	6 578	1 886
Income from services for discontinued operations	0	398
Total	**9 050**	**4 877**

3. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	Dec. 31, 2012	Dec. 31, 2011
Receivables management	948	964
Holding company	128	88
Continuing operations	**1 076**	**1 052**
Discontinued operations	0	153
Employees	**1 076**	**1 205**
thereof employees in Germany	*856*	*931*
Average number of employees	**1 089**	**1 222**

The average number of employees is determined on the basis of a monthly analysis. The employees stated for discontinued operations in 2011 relate to GENEVA-ID GmbH.

Long-service bonus commitments have been made to some of the employees in the GFKL Group. The provision (€298k; prior year: €286k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

In connection with the restructuring process, a provision of €828k was recognized for the severance of employees and Executive Board members. Executive Board members account for €339k of this amount. For information on the severance of employees and Executive Board members, please see section III.24. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	Dec. 31, 2012	Dec. 31, 2011
Current service cost	151	198
Interest expense	242	273
Expected return on plan assets	–96	–88
Gains/losses recognized in the period	–227	1

in €k	Dec. 31, 2012	Dec. 31, 2011
Effect from settlements	0	0
Effect of change in pension entitlement	0	–2
Total	**70**	**381**

In addition to the expenses for pensions obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to €2,943k (prior year: €4,109k).

Please see section III.25. (Provisions for pensions) for further information.

4. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation of property, plant and equipment and the amortization of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment) and III.2. (Intangible assets). The item also includes impairment of goodwill (€3,481k; prior year: €0k).

In fiscal year 2011, the equity investment without significant influence held in Domusvenda SGPS S.A. was fully written off by an impairment loss of €7.4 million.

For an explanation of impairment losses on goodwill from discontinued operations, please refer to section IV.10. (Discontinued operations).

5. Other operating expenses

Other operating expenses break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Costs of the collection process	79 258	76 841
Valuation allowances and write-downs on receivables	4 987	29 816
Valuation allowances and write-downs on financial assets	450	0
General and administrative expenses, contributions and rent	17 260	16 554
Personnel recruitment and freelancers	6 904	5 401
Consulting and auditing fees	5 552	5 829
Expenses from the measurement of NPL receivables	3 266	1 743
Other taxes	373	289
Commissions, incidental refinancing costs	15	99
Expenses from exchange differences	3	24
Expenses arising from the disposal of assets	107	24
Other operating expenses	13 460	17 192
Total	**131 635**	**153 811**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables.

The valuation allowances and write-downs on receivables in 2011 relate to the valuation allowances on receivables from Domusvenda Holding SGPS S.A. of €29.3 million.

The item “General and administrative expenses, contributions and rent” includes expenses from operating leases for vehicles and office equipment amounting to €3,068k (prior year: €2,697k).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

The miscellaneous operating expenses mainly relate to the provision of €3.0 million recognized for the move to the central archive in Gelsenkirchen scheduled for the beginning of 2013 and for the severance of employees and Executive Board members as well as the allocation of €3.2 million to the provision for an onerous contract. Moreover, the input VAT amounts were reduced in accordance with judgments by the European Court of Justice and the German Federal Court of Justice. This gave rise to expenses of EUR 4.1 million. A provision of €15.6 million was recognized for past years. Please see section III.24. (Provisions) for further information. The company reported a foreign exchange loss of €2k as of December 31, 2012 (prior

year: foreign exchange loss of €18k). €3k thereof (prior year: €24k) is included under other operating expenses and €1k (prior year: €6k) under other operating income. As of the balance sheet date, there were no material open currency positions.

6. Interest and similar income

Interest and similar income mainly relates to interest income from the Spanish subsidiary Corfisa from bill discounting as well as interest on current account balances with banks.

7. Interest and similar expenses

Interest expenses arise mainly from loan liabilities of the holding company and expenses from fair value measurement as well as interest expenses from NPL derivatives.

8. Profit/loss from investments accounted for using the equity method

The contribution to consolidated earnings from the profit/loss of associates amounted to €56k (prior year: €105k). The largest individual figure within this contribution was €86k (prior year: €102k) from HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH.

9. Income taxes

Group tax expense is calculated using a tax rate of around 32% (prior year: 32%). This tax rate is also used for the calculation of deferred taxes. An exception applies to the Spanish companies, for which deferred taxes are calculated using the Spanish tax rate of 30%.

The following table shows the tax reconciliation:

in €k	Dec. 31, 2012	Dec. 31, 2011
Earnings before income tax	–23 062	–51 950
Expected income taxes	**–7 316**	**–16 479**
Modification of the determination of taxable income	1 170	865
Measurement and utilization of loss carryforwards	728	3 794
Out-of period taxes	4 646	6 432
Permanent effects	1 343	0
Other	32	48
Effective income taxes	**603**	**–5 340**

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft.

Out-of-period taxes mainly relate to the allocation to the provision for the tax audit.

The permanent effects are in particular attributable to the impairment loss on the Spanish goodwill.

The tax expenses are as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Current taxes	681	408
Current taxes from prior years	4 646	6 432
Deferred taxes	–4 724	–12 180
Total	**603**	**–5 340**

10. Discontinued operations

Information on results and cash flows from discontinued operations is provided below. These include the companies ADA Verwaltungsgesellschaft mbH, Universal Benelux B.V. and Universal Leasing GmbH sold in June 2011. Virtual Lease Ltd., sold on October 4, 2011, and GENEVA-ID GmbH and has program service GmbH, both sold in April 2012, are also included in discontinued operations.

Assets and liabilities related to discontinued operations are recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” (section III.12.) and comprise the assets and liabilities of the software operations held for sale as of December 31, 2011.

For the purposes of presentation in accordance with IFRS 5.33, intragroup balances and transactions between discontinued and continuing operations were not consolidated if it is probable that the business relationships will be continued after the disposal. Profits and losses from intragroup transactions were eliminated in full.

The depreciation/amortization of non-current assets of discontinued operations was suspended.

The result from discontinued operations breaks down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Discontinued operations income	3 963	36 087
thereof in respect of affiliates	0	0
Discontinued operations expenses	4 509	39 754
thereof in respect of affiliates	0	398
Earnings before tax	**–546**	**–3 667**
Taxes on earnings	94	186
Profit/loss from measurement/deconsolidation less costs to sell	316	–16 319
Taxes on profit/loss from measurement/deconsolidation	0	0
Profit/loss from discontinued operations	**–325**	**–20 171**

There are no earnings for non-controlling interests attributable to discontinued operations.

The cash flows from discontinued operations break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Cash flow from operating activities	–815	2 707
Cash flow from investing activities	–40	–96
Cash flow from financing activities	0	106
Total	**–855**	**2 717**

V. Other disclosures

1. Basic/diluted earnings per share and dividends

Earnings per share are calculated on the basis of the profit attributable to the equity holders of the parent and the number of outstanding shares in the Group's parent, GFKL Financial Services Aktiengesellschaft. As of December 31, 2012, the average number of shares was 24,783,567 (prior year: 24,783,567). Treasury shares (1,100,223 shares; prior year: 1,100,223 shares) are not taken into account in the calculation of earnings per share.

The average number of shares is derived from the number of shares in GFKL Financial Services Aktiengesellschaft including the issue of new shares. In order to determine diluted earnings per share, the shares not yet tendered under the cash settlement offer and the corresponding interest must be taken into account.

Beginning of period	End of period	No. days	No. shares	Weighting
Jan. 1, 2012	Dec. 31, 201:	366	24 783 567	24 783 567
Total/average:		**366**		**24 783 567**

Basic earnings per share were calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares, as follows:

	Dec. 31, 2012	Dec. 31, 2011
Profit/loss from continuing operations after non-controlling interests in €k	–23 661	–46 538
Profit/loss from discontinued operations in €k	–325	–20 171
Profit/loss attributable to equity holders of the parent in €k	**–23 986**	**–66 709**
Weighted number of shares	24 783 567	24 783 567
Earnings per share in €	**–0.97**	**–2.69**

Diluted earnings per share was calculated as follows:

	Dec. 31, 2012	Dec. 31, 2011
Profit/loss from continuing operations after non-controlling interests in €k	–23 570	–46 436
Profit/loss from discontinued operations in €k	–325	–20 171
Profit/loss attributable to equity holders of the parent in €k	**–23 895**	**–66 607**
Weighted number of shares	25 005 526	25 062 693
Earnings per share in €	**–0.96**	**–2.66**

The profit/loss used for determining diluted earnings per share is adjusted for interest expenses and corresponding taxes for outstanding share repurchases of €91k (prior year: €102k). The weighted average number of shares is influenced by the number of shares outstanding as of January 1, 2012 from the cash settlement offer to former ABIT shareholders. The required issue of new ordinary shares at the current share price that would be necessary to settle the outstanding amount under the cash settlement offer is determined in this context.

As for 2011, there are no plans to distribute a dividend for 2012.

2. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2012 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	75 827	75 827
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	116 771	116 771
Liabilities			
Financial liabilities at amortized cost	FLAC	200 841	200 841
Financial liabilities at fair value through profit or loss	FLaFV	4 013	4 013

GFKL holds financial instruments in the categories "Loans and receivables" and "Financial assets at fair value through profit or loss." In the "Financial assets at fair value through profit or loss" category, the carrying amount is equal to the fair value because these items are recognized at market value. In the case of financial instruments in the "Loans and receivables" category, the carrying amount is also equal to the fair value because these items are recognized at the expected settlement amount taking into account appropriate valuation allowances. Assets and liabilities are mostly subject to floating-rate interest. An exception is the fixed-rate subordinated loan from Carl Holding, which is non-current.

As of December 31, 2011, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	130 517	130 517
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	121 495	121 495
Liabilities			
Financial liabilities at amortized cost	FLAC	260 196	257 881
Financial liabilities at fair value through profit or loss	FLaFV	2 891	2 891

NPL portfolios and derivatives that do not qualify for hedge accounting are recognized in the "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss" categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7; NPL portfolios under Level 3.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques for determining the fair value of the NPL investments.

For the comparison required by IFRS 7 of financial liabilities recognized at cost in the “Financial liabilities at amortized cost” category, GFKL calculated the fair values by adjusting the margin levels on the basis of the assumption that securitization transactions would be settled. No significant differences arose in this process. The effect is therefore considered to be neutral for measurement purposes. This approach adequately reflects the hypothetical market prices of third parties for the financial liabilities of the GFKL Group.

As of December 31, 2012, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k

Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	3 850	0	–553	–4 987	**–1 690**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	13	0	0	50 632	**50 645**
FLAC	0	11 226	–1	3 724	**–7 503**
FLaFV	0	4 206	–36	–134	**–4 376**

As of December 31, 2011, the amounts were as follows:

in €k

Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	1 892	1	–262	–28 543	**–26 913**
HtM	0	0	0	0	**0**
AfS	0	0	0	–7 405	**–7 405**
FAaFV	0	0	0	48 508	**48 508**
FLAC	0	9 112	–466	–12	**–9 591**
FLaFV	0	2 815	0	94	**–2 721**

As part of refinancing arrangements, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Assigned NPL portfolios	36 617	103 211
Pledged current accounts	12 961	14 583
Cash security	0	1 711
Total	**49 578**	**119 505**

The cash security mainly relates to the refinancing of NPL portfolios and thus servers to cover credit risk.

The assigned NPL portfolios arose in connection with the refinancing of these portfolios via special purpose entities. Please refer to section V.3. (Derecognition of assets) for further details.

The pledged current accounts are mainly used for the collection and separation of NPL receivables, which then have to passed on to various counterparties under the ABS programs.

There are no financial instruments that include multiple embedded derivatives.

For disclosures on compliance with the terms and conditions of loan agreements, please refer to the information on capital management under section II.9. (Business risks and capital management).

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39 (cash flow hedge).

in €k	Dec. 31, 2012	Dec. 31, 2011
Derivative financial instruments with positive fair values		
- in conjunction with cash flow hedges	0	0
- not designated as part of a hedge relationship	0	5
Derivative financial instruments with negative fair values		
- in conjunction with cash flow hedges	0	–1 937
- not designated as part of a hedge relationship	–4 013	–6 409

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. The derivative financial instruments with negative fair values for the hedging of cash flow risks of €589k relate to interest rate hedging on bilateral loans and (until June 28, 2012) GFKL Financial Services Aktiengesellschaft promissory notes, which were incorporated into the refinancing under the syndicated credit facility. As a result, application of the hedge accounting rules is no longer possible as of the balance sheet date and therefore all derivative financial instruments are not designated as being part of a hedge relationship. Derivative financial instruments with a negative fair value of €3,423k are held to hedge against fluctuations in the fair value of the NPL portfolios arising from changes in the general level of interest rates.

3. Derecognition of assets

a) Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL retains substantially all the risks and rewards of the NPL portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under "Non-performing loans and receivables acquired for settlement" (€36.6 million) and the liabilities under "Other financial liabilities" (€10.6 million).

b) Derecognitions in relation to the change in shareholders in 2009

In relation to the change in GFKL's shareholders in 2009, assets were transferred to the former shareholders, or a special purpose entity set up by them. The assets mainly relate to the loans from the sale of 75% of ADA – Das SystemHaus GmbH and Universal Leasing Ltd. to the local management (management buyout) and the settlement claim against Resba GmbH. Since substantially all the risks and rewards were transferred, the assets were derecognized.

Risks and rewards from the loans to Domusvenda were also transferred. When dividing the claims relating to Domusvenda, the derecognition of the senior portion and the junior portion is to be considered separately due to clearly distinguishable cash flows. Repayments from the asset are used to service a clearly defined volume of GFKL's claims. The claims from the junior portion can also be defined and are passed on immediately upon receipt. There are no other pass-through obligations arising from payments not received. The junior portion of a nominal €27 million, which was written down by €7 million, was derecognized. In March 2013, a settlement was reached between the parties to the dispute. The settlement included a set-off with liabilities of GFKL to Domusvenda of €1.3 million, an upfront payment of €0.4 million and other payments due at a later date of €2.7 million. In light of the upfront payment already received, allowances of €0.4 million were reversed.

4. Contingent liabilities

Contingent liabilities were as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Guarantees	0	228
Warranty agreements	0	8 682
Total	**0**	**8 910**

The prior periods were shaped by the joint liability retained by GFKL for liabilities of Universal Leasing GmbH which had to be disclosed as contingent liabilities due to the latter's deconsolidation. Moreover, GFKL AG had a contingent liability of €3 million in connection with the acquisition of an equity investment. As the conditions

in the purchase agreement were all met by June 30, 2012, the contractual penalty of €3 million due in the event of non-performance was not payable.

GFKL is subject to continued liability in some instances in respect of former group companies that have been sold.

5. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

As of December 31, 2012, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	3 640	6 535	0
Maintenance agreements	24	40	0
Operating leases	399	281	0

As of December 31, 2011, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	4 971	10 966	189
Maintenance agreements	1 137	237	0
Operating leases	735	518	0

The company enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

6. Auditor's fees

The group auditor's fees for the fiscal years break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Audit services	382	278
Audit-related services	200	326
Tax services	526	287
Other services	681	1 785
Total	**1 789**	**2 677**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, GFKL's activities include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made:

1. Cash and cash equivalents comprised cash amounting to €38.2 million (prior year: €59.8 million). €20.3 million (prior year: €19.7 million) of this amount is earmarked funds as of December 31, 2012. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet and contain cash from discontinued operations of €0 million (prior year: €1.2 million).
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€84,667k; prior year: €89,188k). Another significant contributor in the prior year is the cash flows from the cash reserves of the lease receivables sold to the ABCP programs/ABS bond (€6,727k).

3. As of December 31, 2012, the Group's cash flow from operating activities amounted to €18,279k (prior year: €35,707k). Taking into account the change in the cash reserve, the adjusted cash flow from operating activities was €28,980k in the prior year.
4. The cash flow from investing activities of –€14,483k (prior year: –€3,707k) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to –€ 16,487k (prior year: –€13,809k). Please see section II.8.a (Basis of consolidation) for further information on cash flows from corporate transactions.
5. Apart from the repayment of loans, the cash flow from financing activities of –€24.2 million (prior year: –€43.8 million) largely comprised the cash inflows from the issue of equity instruments (€30 million; prior year: €0 million).
6. In the period under review, the Group generated cash flow from interest paid of €9,686k (prior year: €16,657k) and interest received of €3,186k (prior year: €13,060k). The amounts in the prior year are dominated by interest paid and received by the leasing segment, which is presented in the cash flow from operating activities. The cash flow from income taxes was –€2,689k (prior year: €1,211k).

VII. Events after the balance sheet date

In March 2013, a settlement was reached between the parties to the dispute related to the equity investment in Domusvenda S.A. (for details, please refer to section II.6. (Significant accounting judgments)). There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2012.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures

1. Related parties

Carl Holding GmbH, a subsidiary of Advent International, is the majority shareholder with a stake of 92.80%. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under "Transactions." The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Executive Board and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2012	2011	Dec. 31, 2012	Dec. 31, 2011
Advent International	2 000	2 350	19 465	29 857
Equity holders with a significant influence	**2 000**	**2 350**	**19 465**	**29 857**
Associates	0	103	0	9
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	9	0	0	0
Total	**2 009**	**2 453**	**19 469**	**29 866**

Liabilities to Advent International are primarily due to loans granted by Carl Holding GmbH. Please also see section III.15. (Hybrid capital).

Receivables and transactions relating to services rendered break down as follows:

	Transactions		Balances	
in €k	**2012**	**2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Advent International	20	38 347	0	35 740
Equity holders with a significant influence	**20**	**38 347**	**0**	**35 740**
Related parties of the equity holder with a significant influence	**17**	**0**	**1**	**0**
Associates	13	14	0	1
Entities over which key persons have a significant influence	0	0	0	0

in €k	Transactions 2012	Transactions 2011	Balances Dec. 31, 2012	Balances Dec. 31, 2011
Management in key positions	1	1	0	0
Total	**51**	**38 362**	**1**	**35 741**

Related party transactions are conducted on an arm's length basis.

Universal Leasing GmbH and ADA Financial Services Verwaltungsgesellschaft mbH were sold to an entity held by institutional investor funds that are advised by Advent International Corp., Boston. The sale price was based on the business value determined by an appraiser. At the same time, receivables from Universal Leasing GmbH were transferred to the buyer at their carrying amounts. In June 2012, GFKL's purchase price receivable from ADA Financial Services Verwaltungsgesellschaft mbH from the sale of Universal Leasing GmbH was sold to Carl Holding GmbH at its carrying amount, which was €36.4 million. €24.6 million of the sale price was paid in cash and €11.8 million was offset against a shareholder loan from Carl Holding GmbH.

The Executive Board members simultaneously hold investments in an Advent entity that indirectly holds shares in GFKL. The shares were acquired at market prices. This therefore did not have an effect on GFKL's profit or loss. Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

2. Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	
Marc Knothe, Vienna	May 1, 2011	
Stefan Brauel, Bodenheim	Mar. 15, 2011	Nov. 5, 2012
Christian Weber, Düsseldorf	Apr. 1, 2010	Nov. 7, 2012
Jürgen Baltes, Essen	Oct. 5, 2005	Jan. 12, 2011

The following table shows the changes in the year under review in the total remuneration paid to the Executive Board and in the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation:

in €k	Dec. 31, 2012	Dec. 31, 2011
Current remuneration	1 915	1 574
Termination benefits	1 120	1 258
Earned pension entitlement	49	166
Share-based compensation	0	0
Executive Board remuneration	**3 085**	**2 997**
Supervisory Board remuneration	92	98
Total remuneration	**3 177**	**3 095**

In the reporting period, a provision of €1,120k was recognized for termination benefits for two former Executive Board members.

"Earned pension entitlement" shows the total expenses for the period related to the pension obligation in favor of one member of the Executive Board. Please see section III.25. (Provisions for pensions) for further information.

The shareholder meeting of GFKL Financial Services AG took place on August 15, 2012. At the end of the shareholder meeting, Geoffrey Ognall retired from the Supervisory Board of GFKL Financial Services AG. At the same time, Nicole Linke took up office as an employee representative on the Supervisory Board. The Supervisory Board is composed of three members. Over the past few years, the Supervisory Board members were:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	
Hans-Hermann Anton Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	
Geoffrey Philip Ognall, London, UK (Deputy Chairman).......................	Dec. 15, 2009	Aug. 15, 2012

Essen, April 26, 2013

sgd Kamyar Niroumand
(Chairman of the
Executive Board)

sgd Marc Knothe
(Member of the
Executive Board)

sgd Christoph Pfeifer
(Member of the
Executive Board)

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TABLE OF CONTENTS

	Page
IMPORTANT INFORMATION	i
FORWARD-LOOKING STATEMENTS	vii
CURRENCY PRESENTATION AND DEFINITIONS	ix
GLOSSARY OF SELECTED TERMS	xiii
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	xiv
PRESENTATION OF INDUSTRY AND MARKET DATA	xix
EXCHANGE RATE INFORMATION	xx
SUMMARY	1
CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS	12
THE OFFERING	15
SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION	22
RISK FACTORS	30
THE TRANSACTIONS	70
USE OF PROCEEDS	72
CAPITALIZATION	73
SELECTED CONSOLIDATED FINANCIAL INFORMATION	75
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	79
INDUSTRY AND MARKET DATA	113
OUR BUSINESS	122
REGULATION	151
MANAGEMENT	154
PRINCIPAL SHAREHOLDERS	159
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	160
DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS	161
DESCRIPTION OF THE NOTES	182
BOOK-ENTRY, DELIVERY AND FORM	263
TAXATION	268
CERTAIN ERISA CONSIDERATIONS	278
PLAN OF DISTRIBUTION	280
TRANSFER RESTRICTIONS	283
LEGAL MATTERS	288
INDEPENDENT AUDITORS	289
AVAILABLE INFORMATION	290
SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES	291
CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS	294
LISTING AND GENERAL INFORMATION	309
FINANCIAL INFORMATION	F-1

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